



**PROPOSED RULE MAKING
(RCW 34.05.320)**

CR-102 (7/22/01)
**Do NOT use for expedited
rule making**

Agency: Board of Accountancy

- ☒ Preproposal Statement of Inquiry was filed as WSR 01-11-076 ; or
☐ Expedited Rule Making -- Proposed notice was filed as WSR _____; or
☐ Proposal is exempt under RCW 34.05.310(4).

- ☐ Original Notice
☒ Supplemental Notice
to WSR 01-15-087
☐ Continuance of WSR

(a) Title of rule: (Describe Subject) Chapter 4-25 WAC See attached for listing

Purpose: The Board conducted public rule-making hearings during August and September of 2001. After considering testimony received the Board made revisions to its proposed rules and makes this supplemental notice to amend or adopt rules to implement the revisions to chapter 18.04 RCW passed through the 2001 Legislative Session (Engrossed Second Substitute Senate Bill 5593)

Other identifying information:

(b) Statutory authority for adoption: See attached

Statute being implemented: See attached

(c) Summary: See attached

Reasons supporting proposal: Engrossed Second Substitute Senate Bill 5593 that passed through the 2001 Legislative Session significantly revised the Public Accountancy Act (chapter 18.04 RCW). The Board of Accountancy needs to revise all of its rules for statutory authority and amend or adopt rules to implement the revisions to chapter 18.04 RCW.

(d) Name of Agency Personnel Responsible for:	Office Location	Telephone
1. Drafting.....	Dana M. McInturff, 711 S Capitol Way, #400, Olympia	(360) 586-0163
2. Implementation....	Dana M. McInturff, CPA 711 S Capitol Way, #400, Olympia	(360) 586-0163
3. Enforcement.....	Dana M. McInturff, CPA 711 S Capitol Way, #400, Olympia	(360) 586-0163

(e) Name of proponent (person or organization): Board of Accountancy

☐ Private
☐ Public
☒ Governmental

(f) Agency comments or recommendations, if any, as to statutory language, implementation, enforcement and fiscal matters:

(g) Is rule necessary because of:

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	If yes, ATTACH COPY OF TEXT Citation:
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

(h) HEARING LOCATION:
Wyndham Garden Hotel - SeaTac
18118 Pacific Highway South
SeaTac, Washington

Date: January 25, 2002 Time: 9:00 a.m.

Assistance for persons with disabilities: Contact
Cheryl Sexton by January 18, 2002

TDD (800) 833-6384 or (360) 664-9194

NAME (TYPE OR PRINT)

Dana M. McInturff, CPA

SIGNATURE

TITLE

Executive Director

DATE

11/20/01

Submit written comments to:
Dana M. McInturff, CPA, Executive Director
Washington State Board of Accountancy
PO Box 9131
Olympia, WA 98507-9131
FAX (360) 664-9190 By (date) 1/21/02

DATE OF INTENDED ADOPTION: January 25, 2002

CODE REVISER USE ONLY

(COMPLETE REVERSE SIDE)

(j) Short explanation of rule, its purpose, and anticipated effects:
See attached.

Does proposal change existing rules? ☒ YES ☐ NO If yes, describe changes:
See attached

(k) Has a small business economic impact statement been prepared under chapter 19.85 RCW?

☐ Yes. Attach copy of small business economic impact statement.
A copy of the statement may be obtained by writing to:

telephoning: ()

faxing: ()

☒ No. Explain why no statement was prepared
The proposed rule will not have more than minor economic impact on business.

(l) Does RCW 34.05.328 apply to this rule adoption? ☐ Yes ☒ No
Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW 34.05.328.

(a) Title of rule:

WAC 4-25-410	Definitions
WAC 4-25-520	What public records does the board maintain?
WAC 4-25-540	What are brief adjudicative proceedings?
WAC 4-25-610	Principles of conduct.
WAC 4-25-620	When must I comply with the rules of conduct requiring integrity and objectivity?
WAC 4-25-626	What restrictions govern commissions, referral, and contingent fees?
WAC 4-25-630	Competence.
WAC 4-25-631	With which rules, regulations and professional standards must a CPA comply?
WAC 4-25-640	Clients' confidential information.
WAC 4-25-660	What are the limitations on advertising and other forms of solicitation?
WAC 4-25-710	CPA certificate—Education requirements.
WAC 4-25-720	CPA examination—Application.
WAC 4-25-721	What does the board consider to be cheating on the CPA examination, what actions may the board take if cheating is suspected, and what sanctions may the board impose if cheating occurs?
WAC 4-25-730	What are the experience requirements in order to obtain a CPA license?
WAC 4-25-735 - New	What rules must a certificateholder comply with and how does a certificateholder apply for licensure?
WAC 4-25-745	How do I apply for an initial CPA license and/or certificate?
WAC 4-25-746	How do I apply for a Washington state CPA license and/or certificate if I hold a valid CPA certificate, license or permit in another state?
WAC 4-25-750	What are the CPA firm licensing requirements?
WAC 4-25-752 - New	How do I register as a resident nonlicensee owner of a licensed firm and with which rules must a nonlicensee firm owner comply?
WAC 4-25-756 - New	I am licensed in another state--How do I notify the board of my intent to enter the state in order to obtain practice privileges in the state of Washington?
WAC 4-25-783	How do I renew a Washington CPA certificate and/or license granted through foreign reciprocity?
WAC 4-25-790	How do I renew my CPA license and/or certificate?
WAC 4-25-791	If I hold a certificate under the reasonable cause exemption to the CPE requirements, how do I apply to return to my previous status as a licensee or a certificate holder?
WAC 4-25-792	How do I apply for reinstatement of a lapsed CPA license and/or certificate?
WAC 4-25-793 - New	If I am retired, how do I apply to return to my previous status as a licensee or a certificateholder?
WAC 4-25-795	How do I apply for reinstatement of a revoked or suspended license and/or certificate?
WAC 4-25-820	Quality assurance review.
WAC 4-25-830	What are the CPE requirements?
WAC 4-25-910	What are the bases for the board to impose discipline?

(b) Statutory authority for adoption and Statute being implemented:

	(b) Statutory authority for adoption	Statute being implemented:
WAC 4-25-410	RCW 18.04.055	RCW 18.04.055(16)
WAC 4-25-520	RCW 18.04.055 and RCW 42.17.260	RCW 42.17.260
WAC 4-25-540	RCW 18.04.055(1); RCW 34.05.220; and RCW 34.05.482	RCW 18.04.055(1) and RCW 34.05.482
WAC 4-25-610; 620; 626; 630; 631; 640; and 660	RCW 18.04.055(2)	RCW 18.04.055(2)
WAC 4-25-710	RCW 18.04.055(5) and RCW 18.04.105(1)	RCW 18.04.055(5) and RCW 18.04.105(1)
WAC 4-25-720	RCW 18.04.055(5) and RCW 18.04.105(2)	RCW 18.04.055(5) and RCW 18.04.105(2)
WAC 4-25-721	RCW 18.04.055	RCW 18.04.055
WAC 4-25-730	RCW 18.04.055(11) and 18.04.105(1)(d)	RCW 18.04.055(11) and 18.04.105(1)(d)
WAC 4-25-735	RCW 18.04.055(12) and 18.04.105(4)	RCW 18.04.055(12) and 18.04.105(4)
WAC 4-25-745	RCW 18.04.055; 18.04.105(1); and 18.04.215(1)	RCW 18.04.055; 18.04.105(1); and 18.04.215(1)
WAC 4-25-746	RCW 18.04.180 and 18.04.215(6)	RCW 18.04.180 and 18.04.215(6)
WAC 4-25-750	RCW 18.04.055(8); 18.04.195; and 18.04.205	RCW 18.04.055(8); 18.04.195; and 18.04.205
WAC 4-25-752	RCW 18.04.055(13) and 18.04.195(8)	RCW 18.04.055(13) and 18.04.195(8)
WAC 4-25-756	RCW 18.04.350(2)	RCW 18.04.350(2)
WAC 4-25-783	RCW 18.04.183 and 18.04.215(2)	RCW 18.04.183 and 18.04.215(2)
WAC 4-25-790; 791; and 792	RCW 18.04.215(2) and (4)	RCW 18.04.215(2) and (4)
WAC 4-25-793	RCW 18.04.215(7)	RCW 18.04.215(7)
WAC 4-25-795	RCW 18.04.215(2); 18.04.335; and 34.05.220	RCW 18.04.215(2); 18.04.335; and 34.05.220
WAC 4-25-820	RCW 18.04.055(9)	RCW 18.04.055(9)
WAC 4-25-830	RCW 18.04.055(7); 18.04.215(5)	RCW 18.04.055(7); 18.04.215(5)
WAC 4-25-910	RCW 18.04.055(11); 18.04.295; and 18.04.305	RCW 18.04.055(11); 18.04.295; and 18.04.305

(c) Summary: The amendments and new rules include public protection provisions, qualifications to be a licensee, regulation of certified public accountants (CPAs); ownership of CPA firms; assurance that CPAs from Washington state are substantially equivalent with CPAs in other states; assurance that CPAs from other states have met qualifications that are substantially equivalent to the CPA qualifications of this state; and regulation of the activities of persons holding licenses, certificates (including a new inactive certificateholder status), and non-CPA owners of CPA firms.

(j) **Short explanation of rule, its purpose, and anticipated effects:** The Board's goal with all of its rule proposals is to:

- Promote clarity
- Ensure effective communication
- Ensure fairness in interpretation and application of the rules
- Promote efficiencies through minimizing gray areas

Specifically:

WAC 4-25-410	Defines terms used throughout the Board's rules to provide clarity for users.
WAC 4-25-520	Notifies the public of the records available for inspection and copying for informational purposes.
WAC 4-25-540	Chapter 34.05 RCW (Administrative Procedure Act) allows agencies to adopt brief adjudicative proceedings to resolve some limited administrative issues. The Board uses brief adjudicative proceedings to provide a clear process to persons to appeal staff actions denying applications.
WAC 4-25-610, 620, 630, 631	Advises Washington CPAs of the standards of conduct and when they must comply with these standards. These standards are needed to establish and maintain high standards of competence and ethics to address the need to protect the public.
WAC 4-25-626	In order to protect the public interest, this rule prohibits licensees from being compensated in a manner which tends to bias or give the appearance of tending to bias the results of their attest services. However, to permit Washington CPAs to practice public accounting on a level playing field with other CPAs nationwide, this rule is aligned with the Uniform Accountancy Act (UAA), to follow the national trend of allowing compensation in the form of commissions, referral fees, and contingent fees, and to address the profession's desire to allow commissions and contingent fees with disclosure. In order to ensure the public is sufficiently informed the rule requires all CPAs accepting commissions, referral fees, and contingent fees to disclose in writing and in advance of client acceptance the method of calculating the fee and the CPA's role as the client's advisor.
WAC 4-25-640	Incorporates parts of statute (RCW 18.04.390 and 405) into the Boards rules of professional conduct. The rule prohibits Washington CPAs from disclosing any confidential client information without the consent of the client; clarifies when the rule does not affect a CPA's disclosure of client information, and outlines a CPA's obligations with respect to the records of a client in a clear format. This standard of professional conduct is needed to protect the public by ensuring privacy and record accessibility.
WAC 4-25-660	"Advertising and other forms of solicitation" is a rule of professional conduct necessary to establish and maintain high standards of competence and ethics of certified public accountants (CPAs) to protect the public interest especially in the area of advertising and solicitation.
WAC 4-25-710	Outlines the educational requirements for individuals to qualify to apply for the CPA examination and ultimately the CPA license, including requirements regarding education obtained outside of the United States, accreditation standards, and an alternative to accreditation. Candidates for the CPA exam need clear concise requirements to ensure fair treatment of all candidates. Ensures candidates will have the necessary foundation and obtain acceptable competence in an increasingly complex business environment to eventually become a licensed CPA. This rule continues to be aligned with the Uniform Accountancy Act (UAA) therefore assuring that Washington CPAs are substantially equivalent with CPAs in other states.
WAC 4-25-720	Outlines the requirements for individuals making application for the CPA exam such as how to file an application, the application due date, timing for completion and documentation of the education requirements, when exam admission notices will be mailed, the passing grade, conditional credit, proctoring, and the completion of an ethics exam.
WAC 4-25-721	This rule provides CPA exam candidates with a listing of what the Board considers to be cheating, what actions the Board may take if cheating is suspected, and what sanctions the Board may impose if cheating occurs.
WAC 4-25-730	Licensed CPAs are statutorily given the exclusive right to perform audit, review, and compilation services. In exchange for this valuable right, CPAs are expected to have a certain level of mature expertise prior to offering unsupervised services to the general public. Washington state statute mandates that CPAs demonstrate one year of public accounting experience and meeting competency requirements. The profession and the public expect CPAs to have a focused, relevant and meaningful apprenticeship period to perfect skills and abilities.

WAC 4-25-735	Establishes the requirements for certificateholders to qualify and apply for a license.
WAC 4-25-745	Sets forth the procedures applicants for an initial license must follow in a short clear manner; notifies the applicant of the Board's definition of a "complete" application and where the Board will send notification when the application is complete; sets the expiration of the license on June 30 of the third calendar year following initial licensure; notifies applicants of the prohibition against using the CPA title by persons not properly licensed.
WAC 4-25-746	Sets the procedures applicants for a Washington CPA license by reciprocity must follow in a short clear manner; notifies the applicant of the Board's definition of a "complete" application and where the Board will send notification when the application is complete; sets the expiration of the license certificate on June 30 of the third calendar year following licensure in Washington state; restates RCW 18.04.215(6) that allows CPAs licensed in another state to practice in Washington State from the date of filing a "complete" application with the Board.
WAC 4-25-750	RCW 18.04.205(3) directs the Board to prescribe the procedures to be followed to register and maintain offices established for the practice of public accounting in Washington state. RCW 18.04.195 requires CPA firms to obtain, and renew, licenses to practice public accounting.
WAC 4-25-752 New	Establishes the requirements for resident nonlicensee owner applying to be a registered nonlicensee owner and defines with which rules the nonlicensee owner must comply.
WAC 4-25-756 – New	Establishes the requirements for individuals, whose principal place of business is not in Washington, to submit notification for the privilege to practice in Washington state.
WAC 4-25-783	Sets the procedures for the renewal of a CPA license granted based in part on a foreign accounting credential in a short clear manner eliminating confusion; notifies the applicant that the Board will send a renewal application in January to the last address the CPA provided to the Board; notifies the applicant of the Board's definition of a "complete" renewal application form and the due date for filing; sets the expiration of the certificate/license to June 30 of the third calendar year following the renewal; notifies the applicant that failure to file a complete application by the due date will result in late fees; notifies the applicant that failure to file a complete application prior to the expiration of their certificate/license will result in the lapse of their certificate/license and loss of the right to use the CPA title or be a owner of a CPA firm.
WAC 4-25-790	Sets the procedures for the renewal of a certificate/license/resident nonlicensee firm owner registration in a short clear manner eliminating confusion; notifies the applicant that the Board will send a renewal application in January to the last address the CPA provided to the Board; Notifies the applicant of the Board's definition of a "complete" application and the due date for filing; sets the expiration of the certificate/license/resident nonlicensee firm owner registration to June 30 of the third calendar year following the renewal; notifies the applicant that failure to file a complete application by the due date will result in late fees; notifies the applicant that failure to file a complete application prior to the expiration of their certificate/license/resident nonlicensee firm owner registration will result in the lapse of their certificate/license and loss of the right to use the CPA title or be a owner of a CPA firm.
WAC 4-25-791	Sets the procedures certificateholders who held a license prior to July 1, 2001 must follow to return to a previous status as a licensee.
WAC 4-25-792	In a short, clear manner that eliminates confusion, this rule sets the procedures CPAs must follow to reinstate their lapsed license, certificate, or registration as a resident nonlicensee firm owner.
WAC 4-25-793 – New	Establishes the process for a retiree to 're-activate' their certificate or license.
WAC 4-25-795	Sets the procedures persons or firms whose certificate/license/resident nonlicensee firm owner registration has been revoked or suspended must follow in order to request modification of a suspension or revocation order or to apply for reinstatement.
WAC 4-25-820	In order to protect the public from financial information that does not meet set standards, this rule establishes the process of monitoring the attest work of licensees (including CPA firms). CPA firms offering attest (audit, review, or compilation) services must comply with set standards. Every three years the CPA firm must either submit reports to financial statements for Board review or demonstrate participation in a Board approved peer review program. Set the actions the Board may take if it is determined that a report is substandard or seriously questionable with respect to applicable professional standards.

WAC 4-25-830	RCW 18.04.215(5) authorizes the Board to set the rules for continuing professional education to maintain or improve the professional competency of licenses, certificateholders, and resident nonlicensee firm owners as a condition to maintaining their certificate/license/resident nonlicensee firm owner registration; accomplishes a heightened awareness of the Board's rules, especially as they pertain to ethics, through required continuing professional education.
WAC 4-25-910	RCW 18.04.295 and 18.04.305 authorize the Board to impose discipline against Washington CPAs, CPA firms, individuals granted practice privileges, or resident nonlicensee firm owners. Using the clear rule writing technique that eliminates confusion, this rule lists specific examples of prohibited acts that constitute grounds for discipline.

(j) Does proposal change existing rules? Yes If yes describe changes:

WAC 4-25-410	<ul style="list-style-type: none"> • Adds the definition of "Active individual participant." • Adds the definition of "Affiliated entity." Having the definition align with (anticipated) national standards will support an understanding of, and compliance with, the Board's rule. • Removes ambiguous language from the definition of "Attest" services. • Adds individuals granted practice privileges to the listing of individuals permitted to perform attest services. • Aligns the definition of "Certificate" to the new statute. • Adds the definition of "Certificateholder" from the new statute. • Adds relationships with firm owners, affiliated entities, and owners of affiliated entities to circumstances creating a "Client." • Adds the CPA's firm, CPA firms and firm owners to the criteria defining a "Commission." • Includes persons with practice privileges in the definition of "CPA" and reworded the definition to clarify that under the new Act licensees no longer hold a certificate (they hold just a license). • Adds persons with practice privileges to the definition of "CPA." • Adds the definition for "Entering the state." • Adds the notion that CPA firms and firm owners (in addition to CPAs) perform professional services for "Enterprises." • Aligns the definition of "Firm" with the Act. • Establishes the meaning of "Firm owner" because that term is used in the rules. • Adds persons with practice privileges to the definition of who may practice public accounting under the definition of "Holding out." • Adds the definition of "Inactive" from the new statute. • Adds the definition of "License" (note the definition refers to both an individual and a firm license). • Aligns the definition of "Licensee" with the Act. • Adds the definition of "Manager" because the term is used in the rules. • Adds the abbreviation for National Association of State Boards of Accountancy. • Adds the definition of "Natural person" because the term is used in the rules (referring to nonlicensee firm owners). • Adds the definition of "Nonlicensee Owner" because the term is used in the rules. • Moves the definition of "Quality Review" to "Peer Review" to reflect verbiage changes resulting from the new statute. • Adds the definition of "Practice privileges" because the term is used throughout the rules. • Adds the definition of "Principal place of business" because the term is used in the rules. • Aligns the definition of "Reports on financial statements" with statute. • Adds the definition of "Representing oneself" because the term is used in the rules. • Adds the definition of "State" because the term is used in the rules. • Adds the definition of "Statements on auditing standards (SAS)."
--------------	---

WAC 4-25-520	Due to provisions in the new Act, the Board will maintain public records on individuals with practice privileges and registered resident nonlicensee firm owners.
WAC 4-25-540	<ul style="list-style-type: none"> • Adds the provision that the board's procedures are governed by the uniform procedural rules codified in WAC 10-08. (Based on the Prosecuting Attorney General's recommendation.) • Adds the new types of applications (resulting from the new Act) that will come under the BAP provisions. • Separates the language for certificate renewals, and reinstatements from the language for license applications, renewals, and reinstatements. (Under the old law licensees held both a certificate and a license; under the new law licensees will only hold a license.)
WAC 4-25-610	<ul style="list-style-type: none"> • Requires firm owners to comply with the principles of conduct. Note: licensees, certificateholders and individuals granted practice privileges are included in the definition of CPA. • Clarifies that CPA firms must comply with the principles. • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-620	<ul style="list-style-type: none"> • Requires firm owners to comply with requirements concerning integrity and objectivity. Note: licensees, certificate-holders and individuals granted practice privileges are included in the definition of CPA. • Clarifies that CPA firms must comply with the rule. • To clarify the current requirements, changes the words "shall" to "must." • Clarifies that if the language of professional standards listed in Board rule differ or conflict with specific Board rules, Board rules prevail.
WAC 4-25-626	<ul style="list-style-type: none"> • Adds firm owners, affiliated entities, and owners of affiliated entities to the example of relationships that result in a prohibition against accepting a commission/referral/contingent fee. • Removes the definition of contingent fee because it was added to WAC 4-25-410-Definitions. • To clarify the current requirements, changes the words "shall" to "must." • Adds the requirement to obtain the client's consent to the fee arrangement in writing. • Adds that nothing in the rule precludes the purchase, sale, or merger of a CPA practice or requires disclosure to clients of terms or payments made or received pursuant to the purchase, sale, or merger.
WAC 4-25-630	<ul style="list-style-type: none"> • Adds firm owners to the requirement to be competent. • Clarifies that CPA firms must meet the competency requirement. • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-631	<ul style="list-style-type: none"> • Adds firm owners to the requirement to comply with standards. • Clarifies that CPA firms must comply with standards. • Note: The term "CPA" includes licensees, certificateholders, and individuals granted practice privileges. • Removes the language "including subsequent amendments" language which makes the rule too vague and could make the rule difficult to enforce. • Clarifies the current requirement that CPA firms and CPAs must comply with rules and regulations promulgated by the SEC. • Clarifies that if the language of professional standards listed in Board rule differ or conflict with specific Board rules, Board rules prevail. • Replaces the vague language: "Auditing and Accounting Guides (both General and Industry) issued by the AICPA" with the specific language "AICPA Industry Audit and Accounting Guides."
WAC 4-25-640	<ul style="list-style-type: none"> • Moves the definition of client to the first paragraph and made it applicable to the entire rule. • Adds firm owners to those required to comply with the rule. • Changes all references to "CPA" to "licensee" making this rule applicable to licensed CPAs, CPA firms and individuals with practice privileges. Excludes certificateholders from the provisions of this rule by using the term "licensee." • To clarify the current requirements, changes the words "shall" to "must." • Clarifies that this rule does not preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of a CPA's practice. • Clarifies that client records include electronic documents.

WAC 4-25-660	<ul style="list-style-type: none"> • Adds firm owners to those that must comply with the rule. • Corrects language by tying the notification requirement to a “web site” rather than “internet site.” • Clarifies that licensees (including CPA firms) must place notification of holding a Washington state license on their web site or provide a name and contact information for an individual in the organization who will respond to inquiries regarding individual license information within seven business days. • Adds the requirement that certificateholders using the CPA title must state on their web site that they do not hold a license to practice public accounting and they cannot offer accounting, attest, tax services, etc. in association with the use of title CPA, or CPA-Inactive. • Adds the requirement that firm owners must disclose on their web site that they are either licensed or registered (nonlicensee owners) with the Board. • To clarify the current requirements, changes the words “shall” to “must.”
WAC 4-25-710	<ul style="list-style-type: none"> • Eliminates the pre-July 1, 2000 education requirement. • Moves the definition of “accounting concentration” to the “Education requirements” sections. • Adds the “Completion of education requirement” section from WAC 4-25-720 to this rule. • Clarifies the current requirement for candidates to complete a form in order to utilize the 120-day provision.
WAC 4-25-720	<ul style="list-style-type: none"> • Eliminates the statement that the Board will refund a portion of examination fees because refunds are made by the contractor. • Incorporates the exam conditioning requirements into the rule (The conditioning requirements were eliminated from statute. Note, this revision does not change the conditioning requirements it simply places the existing requirements into the rule.) • Clarifies the current ethics examination requirements. • Removes the “Completion of education requirement” section from this rule and adds it to WAC 4-25-710.
WAC 4-25-721	<ul style="list-style-type: none"> • Adds that cheating on the CPA exam demonstrates a lack of good character. This ties directly to the requirements for licensure in the statute. • Removes vague language that all candidates involved in cheating may be subject to penalties, although not necessarily of the same severity. • Removes fines and cost recovery from the list of sanctions the Board may impose on exam candidates.
WAC 4-25-730	<ul style="list-style-type: none"> • Promotes fairness in the application of a rule by requiring the same competency attainment by applicants no matter where the experience is obtained—whether in a CPA firm, government, private industry, or academia. • Adds verbiage from the statute regarding the specific types of skills that must be used in order to meet the experience requirement. • Removes references to Continuing Professional Education requirements—these requirements are addressed in other Board rules. • Adds the provision in the new statute allowing individuals holding a certificate at June 30, 2001, and applying for licensure before June 30, 2004, to use any prior experience.
WAC 4-25-735	New section.
WAC 4-25-745	<ul style="list-style-type: none"> • Consistent with changes in statute, eliminates the ability to apply for a certificate. • Adds a Continuing Professional Education requirement for those individuals who passed the CPA examination more than four years prior to applying for an initial CPA license. • Lists in the rule the requirements for licensure. • Adjusts the definition of what services must be performed in a CPA firm to align with the new statute. • Eliminates the requirement to have a notarized signature.

WAC 4-25-746	<ul style="list-style-type: none"> • Adds the requirement (from statute) that the other state of licensure must grant reciprocity provisions to Washington's CPAs. • Clarifies the requirements for licensure as stated in statute including notice that the Board may accept the National Association of State Boards of Accountancy's designation of the applicant as substantially equivalent to national standards as meeting the requirements for licensure. • Adds the notation that a CPA may practice as soon as the license application is filed with the Board. • Adds the notation (from statute) that individuals obtaining a Washington license via interstate reciprocity must notify the Board within 30 days if the license issued by the other jurisdictions has lapsed or become invalid. • Eliminates the requirement to have a notarized signature.
WAC 4-25-750	<ul style="list-style-type: none"> • Adds the provision (from statute) allowing for nonlicensee owners. • Adds the requirement (from statute) that the principal partner of a partnership, principal officer of a corporation, or the principal manager of a limited liability company or any partner, officer, or member having authority over issuing reports on financial statements must be a licensee. • Adds the requirements (from statute) for a nonlicensee owner to be a natural person, meet good character requirements, comply with board rules, and be an active participant in the firm or affiliated entity. • Adds the requirement (from statute) for a resident nonlicensee owner to register with the Board. • Clarifies what is considered an amendment.
WAC 4-25-752	New section.
WAC 4-25-756	New section.
WAC 4-25-783	<ul style="list-style-type: none"> • Identifies that a renewal form will be mailed to the CPA. • Clarifies that in order to renew the individual must certify that s/he complied with the Board's CPE requirements. • Adds the requirement (from statute) that beginning with the first day of the first renewal period beginning after July 1, 2001, certificateholders must print or display the word "Inactive" immediately following the CPA title whenever the CPA title is printed.
WAC 4-25-790	<ul style="list-style-type: none"> • Adds renewing resident nonlicensee owner registrations to the "how do I renew" rule. • Clarifies that a licensee may not renew as a certificateholder. • Clarifies that in order to renew the individual must certify that they met the Board's CPE requirements.
WAC 4-25-791	<ul style="list-style-type: none"> • Tailors this rule so that it applies to certificateholders who want to return to their previous status as a licensee. • Adds the requirement that certificateholders cannot practice public accounting in association with the use of the title CPA until the individual returns to his/her previous status as a licensee.
WAC 4-25-792	<ul style="list-style-type: none"> • Extends the reinstatement rule to include resident nonlicensee owner registrations. • Clarifies that individuals with a lapsed individual license may not reinstate as certificateholders.
WAC 4-25-793	New section.
WAC 4-25-795	Extends the reinstatement of a revoked or suspended license or certificate to resident nonlicensee owner registrations.
WAC 4-25-820	<ul style="list-style-type: none"> • Adds that a firm required to submit to peer review may be assessed the cost of the peer review. • Adds that firms requesting exemption from QAR must submit to the Board letter of comments, response to letter of comments, if applicable, and letter of acceptance in addition to the copy of an unmodified report.

WAC 4-25-830	<ul style="list-style-type: none">• Changes the CPE requirement for certificateholders to a 4-hour course in ethics applicable to the practice of public accounting in the state of Washington every 3 years.• Adds the CPE requirement for resident nonlicensee firm owners to obtain a 4-hour course in ethics every 3 years.• Adds that individuals holding practice privileges are exempt from the CPE requirements.• Adds prorated CPE requirements for individuals converting their status from certificateholder to a licensee when the license is issued less than three years before the end of a certificate renewal cycle.• Changes the title “Reasonable cause exemption” to “Renewal following retirement” consistent with changes in statute.• Consistent with the new statute, requires certificateholders applying for a license to obtain 120 hours of CPE including a 4-hour course in ethics and limited to 24 hours in nontechnical subjects; includes a prorated schedule for certificateholders whose certificate was issued less than three years prior to the date of application for a license.• Adds resident nonlicensee firm owners to the provisions allowing for a CPE extension request.
WAC 4-25-910	<ul style="list-style-type: none">• Adds the new provisions (from the new statute) pertaining to individuals granted practice privileges, nonlicensee firm owners, full restitution, and fines (up to \$10,000).• Adds failure to comply with an order of the Board as a prohibited act.

AMENDATORY SECTION (Amending WSR 01-11-124, filed 5/22/01, effective 6/30/01)

WAC 4-25-410 Definitions. For purposes of these rules the following terms have the meanings indicated unless a different meaning is otherwise clearly provided in these rules:

(1) **"Act"** means the Public Accountancy Act codified as chapter 18.04 RCW.

(2) **"Active individual participant"** means a natural person whose primary occupation is at the firm or affiliated entity's business. An individual whose primary source of income from the business entity is provided as a result of passive investment is not an active individual participant.

(3) **"Affiliated entity"** means any entity, entities or persons that directly or indirectly through one or more relationships influences or controls, is influenced or controlled by, or is under common influence or control with other entities or persons. This definition includes, but is not limited to, parents, subsidiaries, investors or investees, coinvestors, dual employment or management in joint ventures or brother-sister entities.

(4) **"Attest services"** are services performed by a licensee in accordance with:

(a) Statements on Auditing Standards and related Auditing Interpretations issued by the American Institute of Certified Public Accountants (AICPA) ~~((including subsequent amendments))~~;

(b) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA ~~((including subsequent amendments))~~; and

(c) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by the AICPA ~~((including subsequent amendments))~~.

~~((+3))~~ (5) **"Audit," "review," and "compilation"** are terms reserved for use by licensees and individuals granted practice privileges under the Act.

~~((+4))~~ (6) **"Board"** means the board of accountancy created by RCW 18.04.035.

~~((+5))~~ (7) **"Certificate"** means a certificate as a ~~((certified public accountant))~~ CPA issued ~~((under the act, or a corresponding certificate issued by another state or foreign jurisdiction that is recognized in accordance with the reciprocity provisions of the act))~~ in the state of Washington prior to July 1, 2001, as authorized by the Act, unless otherwise defined in rule.

~~((+6))~~ (8) **"Certificateholder"** means the holder of a certificate as a certified public accountant who has not become

a licensee, has maintained CPE requirements, and who does not practice public accounting.

~~((+8))~~ (9) "Client" means the person or entity that retains a ~~((certified public accountant (CPA), or the))~~ CPA((+s)) firm ((or organization)), a CPA, the CPA's firm, or a firm owner, an affiliated entity, or the owner of an affiliated entity through other than an employer/employee relationship.

~~((+7))~~ (10) "Commissions and referral fees" are compensation arrangements where:

(a) The primary contractual relationship for the product or service is not between the client and the CPA firm, the CPA, the CPA's firm, or a firm owner;

(b) The CPA firm, the CPA, the CPA's firm, or a firm owner is not primarily responsible to the client for the performance or reliability of the product or service;

(c) The CPA firm, the CPA, the CPA's firm, or a firm owner adds no significant value to the product or service; or

(d) A third party instead of the client pays the CPA firm, the CPA, the CPA's firm, or a firm owner for the products or services.

~~((+8))~~ (11) "Contingent fees" are fees established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service.

~~((+9))~~ (12) "CPA" or "certified public accountant" means a person holding a CPA certificate ~~((under this act))~~ or a CPA license recognized in the state of Washington, including a person granted practice privileges pursuant to RCW 18.04.350(2).

~~((+10))~~ (13) "CPE" means continuing professional education (see also "Interactive ~~((CPE))~~ self-study program").

~~((+11))~~ (14) "Entering the state" means an individual is practicing public accounting in the state of Washington and that individual spends more than ten percent of his or her total work hours on activities conducted within the state of Washington, maintains an office or workstation in the state of Washington or advertises to provide his or her services within the state of Washington.

(15) "Enterprise" means any person or entity, whether organized for profit or not, with respect to which a CPA firm, a CPA, a CPA's firm, or a firm owner performs professional services.

~~((+12))~~ (16) "Firm" means ~~((an entity licensed under the provisions of this chapter))~~ a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company formed under chapter 25.15 RCW.

~~((+13))~~ (17) "Generally accepted accounting principles" (GAAP) is an accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices

and procedures. Those conventions, rules, and procedures provide a standard by which to measure financial presentations.

~~((+14+))~~ (18) "Generally accepted auditing standards" (GAAS) are guidelines and procedures, promulgated by the AICPA, for conducting individual audits of historical financial statements.

~~((+15+))~~ (19) "Holding out" means any representation to the public by the use of restricted titles as set forth in ~~((the act))~~ RCW 18.04.345 by a person or firm that the person or firm ~~((is a certified public accountant))~~ holds a license or practice privileges under the Act and that the person or firm offers to perform any professional services to the public as a ~~((certified public accountant))~~ licensee. "Holding out" shall not affect ~~((or limit a person not required to hold a certificate under this chapter or))~~ a person or firm not required to hold a license under ~~((this chapter))~~ the Act from engaging in practices identified in ~~((the act))~~ RCW 18.04.350.

~~((+16+))~~ (20) "Inactive" means the certificate is in an inactive status because a person, who held a valid certificate on June 30, 2001, has not met the current requirements of licensure and has been granted inactive certificateholder status through the renewal process established by the board.

(21) "Interactive self-study program" means a CPE program designed to use learning methodologies that simulate a classroom learning process by employing software or administrative systems that provide significant ongoing interactive feedback to learners regarding their learning progress.

~~((+17+))~~ (22) "License" means a license to practice public accountancy issued to an individual under the Act or a license issued to a firm under the Act.

(23) "Licensee" means the holder of a ~~((valid))~~ license ~~((issued under the provisions of this))~~ to practice public accountancy issued under the Act.

~~((+18+))~~ (24) "Manager" means a manager of a limited liability company licensed as a firm under the Act.

(25) "NASBA" means the National Association of State Boards of Accountancy.

(26) "Natural person" means a living, human being.

(27) "Nonlicensee owner" means a CPA firm owner who is not licensed in any state to practice public accountancy.

(28) "Peer review" means a study, appraisal, or review of one or more aspects of the attest work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under RCW 18.04.025(14).

(29) "Practice privileges" means an individual:

- Has a principal place of business outside of Washington state;

• Is licensed to practice public accounting in another state;

• Has notified the board of intent to enter the state;
• Meets the statutory criteria for a grant of privileges;
• Is subject to discipline in the state of Washington; and
• Must comply with the Act and all board rules applicable to Washington state licensees to retain the privilege.

(30) "Principal place of business" means a single fixed location designated by the individual from which the individual directs, controls, and coordinates the majority of his or her business activities.

(31) "Public practice" or the "practice of public accounting" means performing or offering to perform by a person or firm holding itself out to the public as a licensee, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," "review reports," or "compilation reports((7))" ((~~or "attestation reports"~~)) on financial statements, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters.

((~~(19)~~)) (32) "Quality assurance review or QAR" ((~~(QAR)~~)) is the process, established by and conducted at the direction of the board, of study, appraisal, or review of one or more aspects of the ((~~professional~~)) attest work of a licensee ((~~or firm, by a licensee(s) who is not affiliated with the licensee~~)) or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.

((~~(20)~~) "~~Quality review~~" means a study, appraisal, or review of one or more aspects of the professional work of a licensee or firm, by a licensee(s) who is not affiliated with the licensee or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures but not including a "quality assurance review."

((~~(21)~~)) (33) "Reciprocity" means board recognition of licenses, certificates or other professional accounting credentials that the board will rely upon in full or partial satisfaction of ((~~CPA certification or~~)) licensing requirements.

((~~(22)~~)) (34) "Referral fees" see definition of "commissions and referral fees" in subsection ((~~(7)~~)) (10) of this section.

((~~(23)~~)) (35) "Reports on financial statements" means any reports or opinions prepared by licensees, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review services, as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether

public, private, or governmental, conforms with generally accepted accounting principles or other comprehensive bases of accounting. ~~((The term))~~ "Reports on financial statements" does not include ~~((incidental financial data included in management advisory services reports to support recommendations to a client))~~ services referenced in RCW 18.04.350(6) provided by persons not holding a license under the Act.

~~((+24+))~~ (36) "Representing oneself" for the purposes of RCW 18.04.295(2) and WAC 4-25-910(3), means having a license, practice privilege, certificate or registration that entitles the holder to use the title "CPA," "CPA-Inactive," or be a nonlicensee firm owner.

(37) "Rules of professional conduct" means ~~((principles and))~~ rules adopted by the board to govern the conduct of CPAs and CPA firms while representing themselves to others as CPAs. ~~((The))~~ These rules ~~((apply to))~~ also govern the conduct of nonlicensee firm owners and all persons using the ~~((CPA))~~ title CPA or CPA-Inactive.

~~((+25+))~~ (38) "State" includes the states and territories of the United States, including the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

(39) "Statements on auditing standards (SAS)" are interpretations of the generally accepted auditing standards and are issued by the Auditing Standards Board of the AICPA. Licensees are required to adhere to these standards in the performance of audits of financial statements.

(40) "Statements on standards for accounting and review services(()) (SSARS)" are standards, promulgated by the AICPA, to give guidance to licensees who are associated with the financial statements of nonpublic companies and issue compilation or review reports.

~~((+26+))~~ (41) "Statements on standards for attestation engagements (SSAE)" are guidelines, promulgated by the AICPA, for use by licensees in attesting to assertions involving matters other than historical financial statements and for which no other standards exist.

AMENDATORY SECTION (Amending WSR 01-11-125, filed 5/22/01, effective 6/30/01)

WAC 4-25-520 What public records does the board maintain?

The board maintains the following public records:

(1) A data base of (~~Washington CPAs~~) licensees, certificateholders and individuals granted practice privileges;

(2) A data base of CPA examination candidates;

(3) A data base of (~~CPA firms~~) registered resident nonlicensee firm owners;

(4) Board orders;

(5) Board meeting minutes;

(6) Board policies;

(7) Board rules files; and

(8) Documents dealing with the regulatory, supervisory, and enforcement responsibilities of the board.

In order to obtain a list of individuals under the provisions of RCW 42.17.260(9), educational and professional organizations must use the form provided by the board and apply for and receive recognition by the board. Fees for lists must be paid in advance.

AMENDATORY SECTION (Amending WSR 00-11-070, filed 5/15/00, effective 6/30/00)

WAC 4-25-540 What ~~((are brief adjudicative proceedings))~~ rules govern the proceedings before the board? Except where they are inconsistent with the rules in this chapter and subject to additional rules that the board may adopt from time to time, practice and procedure in and before the board are governed by the uniform procedural rules codified in the Washington Administrative Code, chapter 10-08 WAC.

For certain types of decisions, the board has adopted an appeal process authorized by ~~((chapter 34.05))~~ RCW 34.05.482 through 34.05.494 which is called a brief adjudicative proceeding. Decisions to which this appeal process will be applied are:

~~((•))~~ (1) Denials of initial individual license ~~((or certificate))~~ applications, renewals, or applications for reinstatement;

(2) Denials of certificate renewals or applications for reinstatement;

(3) Denials of practice privilege;

(4) Denials of initial resident nonlicensee firm owner registration applications, renewals, or applications for reinstatement;

~~((•))~~ (5) Denials of initial firm license applications and ~~((firm license))~~ renewals;

~~((•))~~ (6) Denials of exam applications; and

~~((•))~~ (7) A determination whether a licensee or certificateholder has been certified by a lending agency and reported for nonpayment or default on a federally or state-guaranteed student loan or service conditional scholarship. To appeal a decision you must submit your request for a brief adjudicative proceeding, **in writing**, to the board **within thirty days** after the decision by board staff is posted in the U.S. mail. The ~~((residing))~~ presiding officer for the brief adjudicative proceedings is the executive director. After consulting with a board member, the executive director renders a decision either upholding or overturning the decision by board staff. This decision, called an order, is mailed to you.

If you are dissatisfied with the order in the brief adjudicative proceeding, you may appeal to the board's vice-chair. This appeal process is called an administrative review. Your appeal must be received by the board, **orally or in writing**, **within twenty-one days** after the brief adjudicative proceedings order is posted in the U.S. mail. The vice-chair considers your appeal and either upholds or overturns the brief adjudicative

proceeding order. The vice-chair's decision, also called an order, is mailed to you.

AMENDATORY SECTION (Amending WSR 93-22-046, filed 10/28/93, effective 11/28/93)

WAC 4-25-610 (~~(Principles of conduct.)~~) Which rules govern the conduct of CPAs? The (~~(principles of conduct)~~) rules that govern the conduct of CPAs are as follows:

Professional (~~(demeanor)~~) judgment - In carrying out their responsibilities, (~~(professional)~~) a person(~~(s)~~) representing oneself as a CPA or using the CPA title (~~(shall)~~), CPA firms, and firm owners must exercise professional judgment in all their activities.

The public interest - (~~(Persons)~~) A person representing oneself as a CPA or using the CPA title (~~(shall)~~), CPA firms, and firm owners must accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.

Integrity - To maintain and broaden public confidence (~~(persons)~~) a person representing oneself as a CPA or using the CPA title (~~(shall)~~), CPA firms, and firm owners must perform all professional responsibilities with the highest sense of honesty.

Objectivity - Objectivity is to be maintained by (~~(persons)~~) a person representing oneself as a CPA or using the CPA title, CPA firms, and firm owners. Specifically, (~~(persons)~~) a person representing oneself as a CPA or using the CPA title (~~(shall)~~), CPA firms, and firm owners must:

(1) Avoid rendering professional services where actual or perceived conflicts of interest exist;

(2) Be independent in fact and appearance when providing (~~(auditing or other)~~) attestation services.

Due care - (~~(Persons)~~) A person representing oneself as a CPA or using the CPA title (~~(shall)~~), CPA firms, and firm owners must comply with federal and state laws and the profession's technical and ethical standards, maintain competence and strive to improve the quality of services, and discharge professional responsibility to the best of the (~~(CPA's)~~) person's or the firm's ability.

AMENDATORY SECTION (Amending WSR 98-12-048, filed 5/29/98, effective 6/29/98)

WAC 4-25-620 ~~((When must I comply with the rules of conduct requiring))~~ What are the requirements concerning integrity and objectivity? ~~((If you use the title CPA))~~ When offering or performing ~~((professional))~~ services ~~((you)), CPAs, CPA firms, and firm owners must:~~

- Remain honest and objective~~((You must))~~;
- Not misrepresent facts ~~((or))~~;
- Not subordinate ~~((your))~~ their judgment to others~~((Also, you must))~~; and
- Remain free of conflicts of interest unless such conflicts are specifically permitted by board rule or professional standards listed in WAC 4-25-631.

If the language of the professional standards listed in WAC 4-25-631 differ from or conflict with specific board rules, board rules prevail~~((s))~~.

AMENDATORY SECTION (Amending WSR 01-03-012, filed 1/5/01, effective 2/5/01)

WAC 4-25-626 What restrictions govern commissions, referral, and contingent fees? For the purposes of this section, the term "licensed firm" includes any affiliated entities and the term "firm owner" includes the owners of any affiliated entities.

(1) A CPA (~~(shall)~~), a firm owner, or a licensed firm must not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when the CPA (~~(also)~~), the CPA's firm, the owner's firm, or the firm performs attest services for that client. This prohibition applies during the period in which the CPA, the CPA's firm, the owner's firm, or the firm is engaged to perform the attest services and the period covered by any historical financial statements involved in the attest services.

(2) A CPA, a licensed firm, or a firm owner who is not prohibited by this section from performing services for or receiving a commission and who is paid or expects to be paid a commission (~~(shall)~~) must disclose, consistent with the requirements set forth in subsection (7) of this section, that fact to any person or entity to whom the CPA, the CPA's firm, the firm owner, the owner's firm, or the licensed firm recommends or refers a product or service to which the commission relates.

(3) (~~(Any)~~) A CPA (~~(who accepts)~~), a firm owner, or a licensed firm accepting a referral fee for recommending or referring any services (~~(of a CPA)~~) to any person or entity or who pays a referral fee to obtain a client (~~(shall)~~) must disclose, consistent with the requirements set forth in subsection (7) of this section, such acceptance or payment to the client.

(4) A CPA (~~(shall)~~), a firm owner, or a licensed firm must not:

(a) Perform for a contingent fee any professional services for, or receive such a fee from a client for whom the CPA (~~(or)~~), the CPA's firm, the firm owner, the owner's firm, or the licensed firm performs attest services; or

(b) Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.

(5) The prohibition in subsection (4)(a) of this section applies during the period in which the CPA, the CPA's firm, the owner's firm, or the licensed firm is engaged to perform the attest services and the period covered by any historical financial statements involved in the attest services.

(6) (~~Except as stated in the next sentence, a contingent fee is a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service. Solely for purposes of this section,~~) Fees are not ((regarded as being)) considered contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies. ((A CPA's)) Fees may vary depending, for example, on the complexity of services rendered.

(7) All CPAs, firm owners, and licensed firms who accept commission, referral and contingent fee arrangements must:

(a) Disclose the arrangement in writing and in advance of client acceptance;

(b) Disclose the method of calculating the fee or amount of fee; ((and))

(c) Specify the CPA's role as the client's advisor; and

(d) Obtain the client's consent to the fee arrangement in writing.

(8) Nothing in this rule shall be interpreted to preclude a CPA, firm owner, or licensed firm from purchasing, selling, or merging all or a portion of a CPA practice or to require disclosure to clients of terms or payments made or received pursuant to the purchase, sale, or merger.

AMENDATORY SECTION (Amending WSR 93-22-046, filed 10/28/93, effective 11/28/93)

WAC 4-25-630 ~~((Competence.))~~ What are the requirements concerning competence? ~~((A certified public accountant shall))~~ CPAs, CPA firms, and firm owners must not undertake to perform any ~~((endeavor for the performance of))~~ service(~~(s)~~) as a ~~((certified public accountant that he or she cannot))~~ CPA, CPA firm, or as a firm owner unless they can reasonably expect to complete the service with professional competence.

AMENDATORY SECTION (Amending WSR 00-11-071, filed 5/15/00, effective 6/30/00)

WAC 4-25-631 With which rules, regulations and professional standards must a CPA, CPA firm, and firm owner comply? (~~((A-CPA))~~) CPAs, CPA firms, and firm owners must comply with rules, regulations, and professional standards (~~((standards))~~) promulgated by the appropriate bodies for each (~~((endeavor))~~) service undertaken. However, if the requirements found in the professional standards listed in this section differs from the requirements found in specific board rules, board rules prevail.

Such appropriate bodies include, but are not limited to, the Securities and Exchange Commission (SEC); the Financial Accounting Standards Board (FASB); the Governmental Accounting Standards Board (GASB); the Cost Accounting Standards Board (CASB); the Federal Accounting Standards Advisory Board (FASAB); the U.S. General Accounting Office (GAO); the Federal Office of Management and Budget (OMB); the Internal Revenue Service (IRS); the American Institute of Certified Public Accountants (AICPA), and federal, state, and local audit, regulatory and tax agencies.

Such standards include:

(1) Statements on Auditing Standards and related Auditing Interpretations issued by the AICPA (~~((including subsequent amendments))~~);

(2) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA (~~((including subsequent amendments))~~);

(3) Statements on Governmental Accounting and Financial Reporting Services issued by GASB (~~((including subsequent amendments))~~);

(4) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by AICPA (~~((including subsequent amendments))~~);

(5) Statements of Financial Accounting Standards, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB(~~((, including subsequent amendments))~~);

(6) Statement on Standards for Consulting Services issued by the AICPA (~~((including subsequent amendments))~~);

(7) Statements on Quality Control Standards issued by the AICPA (~~((including subsequent amendments))~~);

(8) Statements on (~~((Responsibilities in Tax Practice))~~) Standards for Tax Services and Interpretation of Statements on

~~((Responsibilities in Tax Practice))~~ Standards for Tax Services
issued by the AICPA ~~((including subsequent amendments))~~;

(9) Statements on Responsibilities in Personal Financial
Planning Practice issued by the AICPA ~~((including subsequent
amendments))~~;

(10) Professional Code of Conduct issued by the AICPA
including interpretations~~((7))~~ and ethics rulings~~((, and
subsequent amendments))~~;

(11) Governmental Auditing Standards issued by the U.S.
General Accounting Office~~((, and subsequent amendments))~~;
~~((and))~~

(12) ~~((Auditing and Accounting Guides (both General and
Industry) issued by the))~~ AICPA Industry Audit and Accounting
Guides; and

(13) SEC Rules, Concept Releases, Interpretative Releases,
and Policy Statements.

If the professional services are governed by standards not
included in subsections (1) through ~~((12))~~ (13) of this
section, ~~((the CPA))~~ you must:

- Justify the departure from the standards listed in
subsections (1) through ~~((12))~~ (13) of this section;
- Determine what standards are applicable; and
- Comply with the applicable standards.

Copies of the above standards may be inspected at the
board's office.

AMENDATORY SECTION (Amending WSR 93-22-046, filed 10/28/93, effective 11/28/93)

WAC 4-25-640 Clients' confidential information. (1) The term "client" as used throughout this section includes former and current clients. For purposes of this section, a client relationship has been formed when confidential information has been disclosed by a prospective client in an initial interview to obtain or provide professional services.

(2) Confidential client communication. ~~((The term "client" as used throughout this section shall include a former, current, or prospective client.))~~ A licensee ~~((or any partner, officer, shareholder))~~, firm owner, or employee of a licensee ~~((shall))~~ must not without the consent of the client or the heirs, successors or personal representatives of the client disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

This rule does not:

(a) Affect in any way a licensee's, firm owner's, or employee's obligation to comply with a ~~((validly))~~ lawfully issued subpoena or summons ~~((enforceable by order of a court))~~; ~~((or))~~

(b) Prohibit disclosures in the course of a quality review of a licensee's ~~((professional))~~ attest services; ~~((or))~~

(c) Preclude a licensee, firm owner, or employee from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board. However, a licensee ~~((or any partner, officer, shareholder))~~, firm owner, or employee of a licensee ~~((shall))~~ must not disclose or use to their own advantage any confidential client information that comes to their attention in carrying out their official responsibilities; or

(d) Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of a CPA's practice.

~~((+2))~~ (3) Client records. ~~((A licensee shall))~~ Licensees and firm owners must furnish to ~~((his or her))~~ their client or heirs, successors or personal representatives, upon request and reasonable notice:

(a) A copy of the licensee's or firm owner's working papers, including electronic documents, to the extent that such working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client; and

(b) Any accounting or other records belonging to, or obtained from or on behalf of, the client, that the licensee or

firm owner removed from the client's premises or received for the client's account, including electronic documents; but the licensee or firm owner may make and retain copies of such documents of the client when they form the basis for work done by the licensee or firm owner.

Licensees and firm owners must not refuse to return client records, including electronic documents, pending client payment of outstanding fees.

AMENDATORY SECTION (Amending WSR 00-11-072, filed 5/15/00, effective 6/30/00)

WAC 4-25-660 What are the limitations on advertising and other forms of solicitation? (1) ~~((If you use the title CPA, you))~~ CPAs, CPA firms, and firm owners must not make false, fraudulent, misleading, deceptive or unfair statements or claims regarding your services. Examples of such statements or claims include, but are not limited to, statements or claims which:

- (a) Contain a misrepresentation of fact;
- (b) Fail to make full disclosure of relevant facts;
- (c) Imply your professional services are of an exceptional quality, which is not supported by verifiable facts;
- (d) Create false expectations of favorable results;
- (e) Imply educational or professional attainments, specialty designations, or licensing recognition not supported in fact; or
- (f) Represent that professional services will be performed for a stated fee when this is not the case, or do not disclose ~~((all))~~ variables that may reasonably be expected to affect the fees that will be charged.

(2) If you ~~((use))~~ are a licensee using the CPA title to perform or solicit services via ~~((the Internet))~~ a website, you must either include a statement on the ~~((Internet site))~~ website that you hold a ~~((valid))~~ current Washington state ~~((CPA certificate))~~ license or provide a name and contact information for an individual in your organization who will respond to inquiries regarding individual license information within seven business days. ~~((This statement))~~ The required information must be clearly visible and prominently displayed.

(3) If you are a certificateholder using the CPA or CPA-Inactive title to perform or solicit services via a website you must clearly, visibly, and prominently display the following on the website:

(a) That you hold a current Washington state CPA certificate.

(b) That you do not hold a license to practice public accounting.

(c) That Washington state law does not allow a certificateholder or a CPA-Inactive to offer or provide accounting, auditing, attest, reports on financial statements, tax preparation or advisory, management advisory, consulting or similar services to the public in association with the use of the title "CPA," "Certified Public Accountant," "CPA-Inactive," or "Certified Public Accountant-Inactive."

(d) After your first renewal cycle, you must display the information that you are a "CPA-Inactive."

(4) If you are a resident nonlicensee owner of a firm licensed by the board and you perform or solicit services in association with the firm via a website, you must clearly, visibly, and prominently display a statement that you are either a nonlicensee owner registered with the Washington state board of accountancy or provide a name and contact information for an individual in your organization who will respond to inquiries regarding registration information within seven business days.

AMENDATORY SECTION (Amending WSR 95-20-065, filed 10/3/95, effective 11/3/95)

WAC 4-25-710 ((CPA certificate--Education requirements.))
What are the education requirements to qualify to apply for the CPA examination? ((Until June 30, 2000, applicants for a CPA certificate shall have a baccalaureate degree conferred by a college or university recognized by the board. The degree program shall include an accounting concentration or its equivalent and related subjects the board deems appropriate.))
(1) Education requirements: Effective July 1, 2000, ((an applicant for a CPA certificate shall)) to apply for the CPA examination you must have completed:

(a) At least one hundred fifty semester hours of college education, including((+)

•)) (b) A baccalaureate or higher degree; and

((•)) (c) An accounting concentration ((or its equivalent)) as defined ((by the board.

(1) Equivalent education. Until June 30, 2000, the board may, in its discretion, waive the educational requirements for any person if the board is satisfied that the applicant has successfully completed such equivalency examinations as may be offered by bona fide educational testing organizations. The board will not prepare or offer equivalent education examinations. The board will designate, by resolution, acceptable educational testing organizations and equivalency examinations when and if acceptable organizations and examinations exist. Effective July 1, 2000, the board will discontinue this provision for equivalent education.)) as at least:

(i) Twenty-four semester hours or the equivalent in accounting subjects of which at least fifteen semester hours must be at the upper division or graduate level (an upper division course is defined as a course only available to students who have standing as a junior, senior, or graduate; frequently carries completion of an elementary course(s) as a prerequisite for admission; and is usually designated as "upper division" by the school offering the course); and

(ii) Twenty-four semester hours or the equivalent in business administration subjects at the undergraduate or graduate level.

(d) The board will not recognize accounting concentration credits awarded for "life experience" or similar activities retroactively evaluated and recognized by colleges or universities. This restriction is not intended to apply to internships prospectively approved by colleges or universities.

(e) If you expect to meet the education requirements of this section within one hundred twenty days following the examination, you are eligible to take the CPA examination provided you submit, on a form provided by the board's designee, signed confirmation from the university you are enrolled in stating you will meet the education requirements within one hundred twenty days following the examination. If you are admitted to the examination on the expectation that you will complete the educational requirement within one hundred twenty days, you will not be given credit for the examination or any section of the examination unless you demonstrate you meet the education requirements within one hundred twenty days of that sitting.

(2) **Education obtained outside the United States**~~((—In the ease of education))~~: If you obtained all or a portion of your education outside the United States~~((—the board may, at its discretion, rely on bona fide))~~ you must have your education evaluated by a board approved foreign education credential evaluation service~~((§))~~. The board will establish the criteria for board approval of foreign education credential evaluation services. The board will not provide ~~((such))~~ education credential evaluation services~~((—but will designate acceptable foreign education evaluation services, by board resolution, upon application from service providers))~~.

(3) **Semester versus quarter hours**: As used in these rules, a "semester hour" means the conventional college semester hour. Your quarter hours ~~((may))~~ will be converted to semester hours by multiplying them by two-thirds.

(4) **Accreditation standards**~~((—))~~: For purposes of this rule, the board will recognize colleges and universities which are accredited in accordance with (a) through (c) of this subsection.

(a) An accredited college or university is a four-year degree-granting college or university accredited at the time ~~((the applicant's))~~ your degree was received by virtue of membership in one of the following accrediting agencies:

(i) Middle States Association of College and Secondary Schools;

(ii) New England Association of Schools and Colleges;

(iii) North Central Association of Colleges and Secondary Schools;

(iv) Northwest Association of Schools and Colleges;

(v) Southern Association of Colleges and Schools;

(vi) Western Association of Schools and Colleges; and

(vii) Accrediting Commission for Independent Colleges and Schools, or its predecessor, the Accrediting Commission of the Association of Independent Colleges and Schools.

(b) If an institution was not accredited at the time ~~((an applicant's))~~ your degree was received but is so accredited at the time ~~((the))~~ your application is filed with the board, the institution will be deemed to be accredited for the purpose of (a) of this subsection provided that it:

(i) Certifies that (~~(the applicant's)~~) your total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and

(ii) Furnishes the board satisfactory proof, including college catalogue course numbers and descriptions, that the preaccrediting courses used to qualify (~~(the applicant)~~) you for a concentration in accounting are substantially equivalent to postaccrediting courses.

(c) If (~~(an applicant's)~~) your degree was received at an accredited college or university as defined by (a) or (b) of this subsection, but the educational program which was used to qualify (~~(the applicant)~~) you for a concentration in accounting included courses taken at nonaccredited institutions, either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which (~~(applicant's)~~) your degree was received, provided the accredited institution either:

(i) Has accepted such courses by including them in its official transcript; or

(ii) Certifies to the board that it will accept such courses for credit toward graduation.

(5) **Alternative to accreditation**(~~(. A graduate of)~~): If you graduated from a four-year degree-granting institution that was not accredited at the time (~~(the applicant's)~~) your degree was received or at the time (~~(the)~~) your application was filed, you will be deemed to be a graduate of a four-year accredited college or university if a credentials evaluation service approved by the board certifies that (~~(the applicant's)~~) your degree is equivalent to a degree from an accredited college or university as defined in subsection (4) of this section.

~~((6) Accounting concentration. Until June 30, 2000, a concentration in accounting for holders of baccalaureate degrees, for purposes of this rule, shall consist of at least:~~

~~(a) Twenty four semester hours or the equivalent, in accounting subjects including no more than ten semester hours of lower division elementary accounting courses; and~~

~~(b) Twenty-four semester hours or the equivalent, in business administration subjects which shall include business law, finance, and economics.~~

~~(c) A concentration in accounting for holders of graduate degrees for purposes of this rule shall consist of at least:~~

~~(i) Sixteen semester hours or the equivalent in graduate level accounting subjects. Undergraduate accounting courses may be substituted at two-thirds of the stated undergraduate credit; and~~

~~(ii) Sixteen semester hours or the equivalent in graduate level business administration subjects which shall include business law, finance, and economics. Undergraduate business courses may be substituted at two-thirds of the stated undergraduate credit.~~

~~(7) Accounting concentration. After June 30, 2000, a concentration in accounting, for purposes of this rule, shall consist of at least:~~

~~(a) Twenty four semester hours or the equivalent in accounting subjects of which at least fifteen semester hours must be at the upper division or graduate level (an upper division course is defined as a course only available to students who have standing as a junior, senior or graduate; frequently carries completion of an elementary course(s) as a prerequisite for admission; and is usually designated as "upper division" by the school offering the course); and~~

~~(b) Twenty four semester hours or the equivalent in business administration subjects at the undergraduate or graduate level.~~

~~The board will not recognize accounting concentration credits awarded for "life experience" or similar activities retroactively evaluated and recognized by colleges or universities. This restriction is not intended to apply to internships prospectively approved by colleges or universities.))~~

AMENDATORY SECTION (Amending WSR 93-12-070, filed 5/27/93, effective 7/1/93)

WAC 4-25-720 ((CPA examination--Application.)) How do I apply to take the CPA examination? (1) Application form and due dates: Your application((s)) to take the ((certified public accountant)) CPA examination must be made on a form provided by the board's designee and filed with the board's designee on or before March 1 for the May examination and September 1 for the November examination. Applications, including all required documentation, for the May examination must be postmarked by March 1 (and received by March 10). Applications, including all required documentation, for the November examination must be postmarked by September 1 (and received by September 10). An application ((will)) is not ((be)) considered filed until the examination fee has been received by the board's designee.

((An applicant who)) (2) **Failure to attend the exam:** If you fail((s)) to appear for examination or reexamination ((shall)) you forfeit the fees charged for examination and reexamination. ((The board may, upon showing of good cause, refund a portion of the examination fee.))

(3) **Notice of admittance to the examination or denial of your application:** Notice of the denial of your application, or notice of your admittance to the examination along with the time and place of the examination ((shall)) will be mailed to you at least ten days prior to the date set for the examination ((to each candidate whose application to sit for the examination has been approved by the board)).

((1)) A passing grade for each section shall be seventy-five. The board uses the Advisory Grading Services of the American Institute of Certified Public Accountants.

An applicant, at each sitting of the examination in which the applicant takes any section of the examination, must take all sections not previously passed.

((2)) (4) **Examination, grading and conditioning:** The board uses all parts of the uniform CPA examination and the advisory grading services of the American Institute of Certified Public Accountants. Seventy-five or better is a passing grade for each section of the examination. Each time you sit for the examination you must take all sections you have not previously passed. You are required to pass all sections of the examination in order to qualify for a license. If at a given sitting of the examination you pass two or more, but not all sections of the examination, then you will receive credit for

those sections that you pass and you will not be required to take those sections again provided:

(a) You took all unpassed sections of the examination at that sitting;

(b) You attained a minimum grade of fifty on each section of the examination not passed at that sitting;

(c) You pass the remaining sections of the examination within six consecutive examinations given after the one at which the first sections were passed;

(d) At each subsequent sitting you take all sections not yet passed and you attain a minimum grade of fifty on those sections taken but not passed at that sitting; and

(e) In order to receive credit for passing additional sections in a subsequent sitting you attain a minimum grade of fifty on sections taken but not passed at that sitting.

(5) **Ethics exam**(~~(. In addition to the uniform)~~): Upon passing the CPA examination, (~~(candidates shall be)~~) applicants for licensure are required to (~~(pass an examination, or alternatively to complete a course of study, prescribed by or acceptable to the board, in professional ethics)~~) demonstrate a passing grade of ninety percent or better on the AICPA professional code of conduct examination.

(~~(+3)~~) (6) **Proctoring CPA exam candidates**(~~(-)~~): The board may agree to request the assistance of another accountancy board in proctoring Washington's applicants at out-of-state exam sites and may agree to proctor another accountancy board's applicants at a Washington exam site, both subject to space and staffing constraints. The board will not arrange for out-of-state proctoring for applicants domiciled out-of-state who wish to take the uniform CPA exam as Washington candidates. Such applicants must take the CPA exam in Washington on a space available basis.

(~~(+4)~~) ~~CPA exam—Completion of education requirement.~~—A person who has met the education requirement of WAC 4-25-710, or who expects to meet it within one hundred twenty days following the examination, or with respect to whom it has been waived, is eligible to take the uniform CPA examination provided all other requisites have been satisfied. If a person is admitted to the examination on the expectation that he or she will complete the educational requirement within one hundred twenty days, no certificate may be issued, nor credit for the examination or any section of it be given, unless this requirement is in fact completed within that time or within such time as the board in its discretion may determine upon application.)

AMENDATORY SECTION (Amending WSR 01-11-127, filed 5/22/01, effective 6/30/01)

WAC 4-25-721 What does the board consider to be cheating on the CPA examination, what actions may the board take if cheating is suspected, and what sanctions may the board impose if cheating occurs? (1) Cheating includes, but is not limited to:

(a) Communication between candidates inside or outside of the examination room during the examination;

(b) Unauthorized communication with others outside of the examination room during the examination;

(c) Substitution by a candidate of another person to write one or more of the examination papers for him/her;

(d) Referencing crib sheets, text books, or other material inside or outside the examination room during the examination;

(e) Copying or attempting to copy another candidate's answers;

(f) Taking, removing, copying, transmitting, attempting to take, attempting to remove, attempting to copy, or attempting to transmit an examination booklet or paper, answer sheet, essay question paper, or notes from the examination site;

(g) Disclosing or attempting to disclose examination questions and/or answers to others;

(h) Bringing unauthorized prohibited items into the examination site; or

(i) Possessing unauthorized prohibited items in the examination site.

(2) Cheating on the CPA examination is dishonesty directly related to the professional responsibilities of a CPA and demonstrates a lack of good character. ~~((All candidates involved in cheating may be subject to penalties, although not necessarily of the same severity.))~~ When determining appropriate sanctions for cheating, the board may impose one or more of the following penalties:

(a) Enter a failing grade for any or all parts of the candidate's examination;

(b) Bar a candidate from writing future examinations; or

(c) ~~((Impose a fine up to one thousand dollars and recovery of investigative and legal costs;~~

~~(d))~~ Notify other jurisdictions of the board's conclusions and order.

(3) If a candidate is suspected of cheating, a board representative may expel the candidate from the examination, move the candidate suspected of cheating away from other

candidates and/or confiscate unauthorized prohibited items. The board representatives may require a candidate suspected of cheating, or a candidate who may have observed cheating, to respond to board inquiry. The board may schedule a hearing to determine the validity of the charge of cheating.

AMENDATORY SECTION (Amending WSR 01-03-011, filed 1/5/01, effective 6/30/01)

WAC 4-25-730 What are the experience requirements in order to obtain a CPA license? ~~((Qualifying experience may be obtained through:~~

- ~~• The practice of public accounting in a CPA firm that participates in a board approved peer or quality review program;~~
- ~~• Other employment provided you obtain the competencies defined by subsection (2)(a) of this section; or~~
- ~~• A combination of the two alternatives listed above provided you obtain the competencies defined by subsection (2)(a) of this section.~~

~~For both full time and part time employment, your experience must:~~

- ~~• Cover a minimum twelve-month period;~~
- ~~• Consist of at least two thousand hours; and~~
- ~~• Be obtained no more than eight years prior to applying for an initial license.~~

~~Your experience may be obtained through one or more employers, with or without compensation, and may consist of a combination of full-time and part-time employment.~~

~~(1) **Public accounting experience:** You may obtain all or a portion of your qualifying experience through employment in a licensed CPA firm that participates in a board approved peer or quality review program. Your experience must be:~~

~~(a) Obtained through performing services that meet the definition of the practice of public accounting as defined by RCW 18.04.025(5); and~~

~~(b) Under the supervision of a member of the firm who holds a valid CPA license and is actively engaged in the practice of public accounting.~~

~~(2) **Experience equivalent to public accounting:** You may obtain all or a portion of your qualifying experience in an entity other than a CPA firm participating in a board approved peer or quality review program. However, to qualify this experience must support your attainment of the competencies identified in (a) of this subsection and your attainment of these competencies must be supervised and verified by a licensed CPA meeting the requirements identified in (b) of this subsection.~~

~~(a) **Competencies:** The competencies that must be obtained to meet the experience requirements of this subsection are as follows. The candidate must demonstrate the ability to:~~

- ~~(i) Understand the profession's code of conduct;~~

~~(ii) Assess the achievement of an entity's objectives;~~
~~(iii) Prepare working papers that contain sufficient data to support analysis and conclusions;~~
~~(iv) Understand transaction streams and information systems;~~
~~(v) Assess risk and design appropriate procedures;~~
~~(vi) Make decisions, solve problems, and think critically in the context of analysis; and~~
~~(vii) Communicate scope of work, findings and conclusions effectively.~~

~~(b) Supervising CPA: To supervise and verify a candidate's attainment of the competencies, you must have held a valid CPA license in Washington or another state for:~~

~~(i) A minimum of five years prior to supervising the candidate's experience; and~~

~~(ii) During the entire period of supervision.~~

~~(3) **Experience affidavit:** Your qualifying experience must be verified by the licensed CPA supervising your experience on the appropriate form(s) provided by the board.~~

~~(4) **Applicants holding a certificate for four years or more:** If you held a certificate for more than four years prior to the date you file your application for license, you must also meet the continuing professional education requirements of RCW 18.04.215 (1)(a). You must obtain and submit proof of completion for one hundred twenty hours of continuing professional education within the three-year period immediately preceding the date you submit your application with the board.~~

~~(5) **Applicants who passed the CPA examination prior to May 1988:** If you passed the CPA examination prior to May 1988, you are not limited to experience obtained within the eight year period prior to submitting your application. However, if you elect to utilize experience from a period more than eight years prior to your application, you must obtain and submit proof of completion for one hundred twenty hours of continuing professional education within the three year period immediately preceding the date you submit your application with the board.~~

~~(6) **Supervision:** Supervision as used in this rule means that there is a definite relationship between the supervising CPA and the candidate being supervised. The supervising CPA must have frequent in person meetings with the candidate and must be able to evaluate the candidate's work through:~~

~~(a) Personal knowledge and review of the candidate's work and work environment;~~

~~(b) Discussions with the candidate's work supervisor; and~~

~~(c) Obtaining an in-depth understanding of the type and quality of the candidate's work.~~

~~(7) **Audit:** The board may audit compliance with these experience requirements.)) Qualifying experience may be obtained through the practice of public accounting and/or employment in industry, academia, or government. Your experience may be~~

obtained through one or more employers, with or without compensation, and may consist of a combination of full-time and part-time employment.

(1) Your experience must support the attainment of the competencies defined by subsection (2) of this section and:

(a) Cover a minimum twelve-month period (this time period does not need to be consecutive);

(b) Consist of a minimum of two thousand hours;

(c) Be obtained through the use of accounting, attest, management advisory, financial advisory, tax, tax advisory or consulting skills;

(d) Be verified by a licensed CPA as meeting the requirements identified in subsection (3) of this section; and

(e) Unless you meet the requirements of subsection (4) of this section, be obtained no more than eight years prior to the date the board receives your complete license application.

(2) **Competencies:** The experience must support the attainment of the following competencies:

(a) Understand the rules of professional conduct contained in chapter 4-25 WAC;

(b) Assess the achievement of an entity's objectives;

(c) Develop documentation and sufficient data to support analysis and conclusions;

(d) Understand transaction streams and information systems;

(e) Assess risk and design appropriate procedures;

(f) Make decisions, solve problems, and think critically in the context of analysis; and

(g) Communicate scope of work, findings and conclusions effectively.

(3) **Verifying CPA:** To verify that the candidate has had experience supporting the attainment of the competencies, you must have a valid CPA license to practice public accounting in Washington or another jurisdiction for a minimum of five years prior to verifying the candidate's experience (the five years do not need to be consecutive).

(4) **Certificateholders applying for a license:** If you held a Washington state certificate on June 30, 2001, and you submit your application for a license by June 30, 2004, you may include experience obtained at any time during your lifetime.

(5) **Experience affidavit:** Both you and the CPA must verify that you have met the experience requirements of this section on the appropriate form(s) provided by the board.

(6) **Audit:** The board may audit compliance with these experience requirements.

NEW SECTION

WAC 4-25-735 What rules must a certificateholder comply with and how does a certificateholder apply for licensure?

Certificateholders are persons who held a valid certificate on June 30, 2001, but did not hold a valid Washington state license to practice public accounting on that date. Licensees and individuals who did not hold a valid certificate on June 30, 2001, are not eligible for certificateholder status.

(1) If you are a certificateholder you:

(a) May not practice public accounting as that term is defined in WAC 4-25-410(31);

(b) Must meet the CPE requirements of WAC 4-25-830 and supporting documentation requirements of WAC 4-25-833;

(c) Must comply with the Act and board rules;

(d) Must meet the renewal requirements of WAC 4-25-790; and

(e) May use the title CPA within the limitations of WAC 4-25-410(31) except, beginning with the first day of your first renewal period beginning after July 1, 2001, you must print or display the word "Inactive" immediately following the CPA title whenever the CPA title is printed on a business card, letterhead, or other document including documents published or transmitted through electronic media, in exactly the same font and font size as the CPA title.

(2) If you are a certificateholder, to qualify for licensure you must:

(a) Meet the experience requirements of WAC 4-25-730 or have had an approved experience affidavit on file with the board on or before June 30, 2001; and

(b) Meet the CPE requirements of WAC 4-25-830.

(3) To apply for a license you must use the form(s) provided by the board. An application is not complete and cannot be processed until all fees, required documentation, required information, and other documentation deemed necessary by the board are received by the board. To apply for a license, you must submit to the board:

(a) A complete application form(s) including your certification, under the penalty of perjury, that you have:

(i) Not held out in public practice during the time in which you were a certificateholder; and

(ii) Met the CPE requirements in WAC 4-25-830;

(b) All applicable fees; and

(c) Other required documentation, required information, and other documentation deemed necessary by the board.

Upon approval of your application, your license will be mailed to the last address you provided to the board. Your CPE reporting period and your renewal cycle will remain the same. You may not practice public accounting in association with the title "CPA" or "Certified Public Accountant" until you receive notice from the board that your Washington state CPA license has been granted. Attest services may only be offered or provided in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 99-18-115, filed 9/1/99, effective 1/1/00)

WAC 4-25-745 How do I apply for an initial CPA license ((and/or certificate))? To qualify to apply for an initial license you must meet the:

- (1) Good character requirements of RCW 18.04.105 (1)(a);
- (2) Education requirements of WAC 4-25-710;
- (3) Examination requirements of WAC 4-25-720;
- (4) Experience requirements of WAC 4-25-730; and
- (5) If more than four years have lapsed since you passed the examination, you must meet the CPE requirements of WAC 4-25-830 (1)(a).

To apply for an initial license ((and/or certificate)) you must use the application form(s) provided by the board. You ((need to)) must fully complete the form(s) ((, have your signature notarized,)) and submit the form(s), all applicable fees, and all required documentation to the board's office.

An initial application is not complete and cannot be processed until all fees, required information, ((and)) required documentation or other documentation or information the board may deem necessary is received by the board. When the processing of your application is complete, ((notification)) your license will be mailed to the last address you provided to the board.

Your initial license ((and/or certificate)) will expire on June 30 of the third calendar year following initial licensure ((and/or certification)).

You may not use the title CPA until you receive ((written)) notice from the board ((of)) that your Washington state CPA ((certificate number)) license has been approved. ((You may not hold out as a CPA in public practice until you receive written notice from the board of your Washington state CPA license and certificate number. A licensee)) Attest services may ((only practice public accountancy)) only be offered or provided in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 99-18-116, filed 9/1/99, effective 1/1/00)

WAC 4-25-746 How do I apply for a Washington state CPA license ~~((and/or certificate))~~ if I hold a valid CPA ~~((certificate,))~~ license ~~((or permit))~~ in another state?
Pursuant to RCW 18.04.180 and 18.04.215~~((+3))~~(6) the board may issue a ~~((certificate and/or))~~ license through interstate reciprocity if you hold a CPA ~~((certificate,))~~ license ~~((or permit))~~ to practice public accounting issued by another state provided your state of licensure makes similar provisions for granting reciprocity to holders of a valid certificate or license in this state.

To qualify to apply for a Washington state CPA license under the interstate reciprocity provisions you must:

(1) Meet the good character requirements of RCW 18.04.105 (1)(a);

(2) Meet the CPE requirements in WAC 4-25-830; and

(3) You must have:

(a) Passed the examination required for issuance of your certificate or license in the other state with grades that would have been passing grades at that time in this state and:

(i) Met all current requirements for licensure at the time you apply; or

(ii) Met, at the time of the issuance of your license in the other state, all the requirements applicable at that time to obtain a license in this state; or

(iii) Had five years of experience in the practice of public accountancy within the ten years immediately preceding your filing an application in this state; or

(b) The board may accept NASBA's designation of the applicant as substantially equivalent to national standards as meeting the requirements of (a) of this subsection.

To apply for a Washington state CPA license ~~((and/or certificate))~~ under the interstate reciprocity provisions you must use the application form(s) provided by the board ~~((and satisfy CPE requirements in WAC 4-25-830))~~. You ~~((need to))~~ must fully complete the form(s)~~((, have your signature notarized,))~~ and submit the form(s), all applicable fees, and all required documentation to the board's office.

An application is not complete and cannot be processed until all fees, required information, ~~((and))~~ required documentation, or other documentation or information the board may deem necessary is received by the board. When the

processing of your application is complete, notification will be mailed to the last address you provided to the board.

Your Washington state CPA license (~~((and/or certificate))~~) will expire on June 30 of the third calendar year following initial licensure (~~((and/or certification))~~).

~~((You may not use the title CPA and you may not hold out as a CPA in public practice until you have filed a complete application with the board. A licensee may only practice public accountancy in a licensed CPA firm meeting the requirements of WAC 4-25-750.))~~

Provided no sanctions or investigations by other jurisdictions are in process and you have met the requirements for applying for licensure through interstate reciprocity, upon filing a completed application with the board, you may use the CPA title in Washington state.

Attest services may only be offered or provided in a licensed CPA firm meeting the requirements of WAC 4-25-750.

If you are granted a license under these reciprocity provisions, you must notify the board within thirty days if your license or certificate issued by the other jurisdiction has lapsed or otherwise become invalid.

AMENDATORY SECTION (Amending WSR 00-11-074, filed 5/15/00, effective 6/30/00)

WAC 4-25-750 What are the CPA firm licensing requirements?
~~((A licensee))~~ Attest services may only ~~((practice public accountancy))~~ be offered or performed in a ~~((licensed))~~ CPA firm licensed in Washington. An entity wishing to ~~((practice as a CPA firm))~~ use "CPA(s)" or "certified public accountant(s)" in the firm name must first obtain a ~~((CPA firm))~~ license from the board.

(1) **How may a CPA firm be organized?** A CPA firm may be organized as:

- (a) A proprietorship;
- (b) A partnership;
- (c) A professional corporation (PC) or professional service corporation (PS);
- (d) A limited liability company (LLC);
- (e) A limited liability partnership (LLP); or
- (f) Any other form of legal entity authorized by statute for use by a CPA firm.

~~((Each proprietor, partner, shareholder or member who is either resident or practicing public accountancy in this state must hold a valid Washington state CPA license. A nonresident owner must be a licensee of at least one state.))~~

(2) **What happens when a CPA firm alters its legal form?** A change in the legal form of a firm constitutes a new firm. Accordingly, the new entity must first obtain a CPA firm license from the board.

~~((+2))~~ (3) **What are the ownership requirements for a CPA firm?**

- (a) All owners of a licensed CPA firm are required to:
 - (i) Be natural persons;
 - (ii) Fully comply with the provisions of chapter 18.04 RCW;
 - (iii) Subject to discipline by the board for violations of chapter 18.04 RCW or 4-25 WAC;
- (b) A simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all partners, owners, or shareholders must be:
 - (i) Licensees in this state or holders of a valid license to practice public accountancy issued by another state;
 - (ii) Entitled to practice public accounting in this state;and
 - (iii) Principally employed by the corporation or actively engaged in its business.

(c) At least one general partner of a partnership, one shareholder of a corporation, and one manager of a limited liability company must be a licensee.

(d) Each CPA proprietor, partner, shareholder or manager who is either a resident or is entering the state and practicing public accountancy in this state must hold a valid Washington state license.

(e) The principal partner of the partnership and any partner having authority over issuing reports on financial statements must be a licensee under the Act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accounting in this state.

(f) The principal officer of the corporation and any officer or director having authority over issuing reports on financial statements must be a licensee under the Act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accountancy in this state.

(g) The principal manager or member of a limited liability company and any member having authority over issuing reports on financial statements must be a licensee under the Act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accountancy in this state.

(h) A nonresident CPA owner must be licensed to practice public accountancy in at least one state.

(i) A nonlicensee owner must:

(i) Be a natural person;

(ii) Meet the good character requirements of RCW 18.04.105 (1)(a);

(iii) Comply with the Act and board rules; and

(iv) Be an active individual participant in the licensed firm or affiliated entities as these terms are defined in WAC 4-25-410; and

(j) A resident nonlicensee firm owner must meet the requirements of WAC 4-25-752 and register with the board concurrent with submission of the firm license, or submission of an amendment to the firm license, to the board.

(4) What are the requirements for the firm's main office and a branch office? The firm's main office must be under the direct supervision of a resident licensee.

A branch office is an office of a licensed CPA firm which is physically separated from the main office. ~~((A branch office must be under the direct supervision of a resident licensee manager who is present a minimum of eighty percent of the time the branch office is open for business.))~~ A branch office operates under the CPA firm license of the main office.

~~((+3))~~ (5) How do I apply for an initial CPA firm license?
To apply for an initial CPA firm license you must use the

application form(s) provided by the board(~~((.---You must))~~) and submit the completed form(s), all applicable fees, ~~((and))~~ all required documentation including the following to the board's office(~~((.--- When completing the application for a CPA firm license, you must include the following information))~~):

- ((*)) (a) The firm name;
- ((*)) (b) Address and telephone number of the main office and any branch offices of the firm;
- ((*)) (c) Name of the managing licensee of the main office ~~((and the managing licensee of each branch office));~~
- ((*)) (d) Licensee owners' names and the states in which they hold CPA licenses;
- ((*)) (e) Name(s) of all nonlicensee owners;
- (f) Complete registration form(s), including the appropriate fee, for each resident nonlicensee owner;
- (g) Names of corporate directors, limited liability company managers, and all officers; and
- ((*)) (h) Type of legal organization under which the firm operates.

An application is not complete and cannot be processed until all fees, required information, and required documentation is received by the board. Upon completion of processing, a CPA firm license will be mailed to the main office at the last address provided to the board.

The initial CPA firm license will expire on June 30 of the third calendar year following initial licensure.

~~((+4))~~ **(6) How do I renew a CPA firm license?** To renew a CPA firm license you must use the form(s) provided by the board. In January of the year of expiration, a renewal form(s) will be mailed to the main office at the last address provided to the board. ~~((To renew a CPA firm license))~~ You must submit a properly completed renewal form(s), all applicable fees and all required documentation to the board by April 30th of the year of expiration. A renewal application is not complete and cannot be processed until all fees, required information, and required documentation is received by the board. Upon completion of processing, the CPA firm license will be mailed to the main office at the last address provided to the board.

The CPA firm license will expire on June 30 of the third calendar year following the date of renewal.

~~((+5))~~ **(7) When must I notify the board of changes in the CPA firm?** A CPA firm must provide the board written notification of the following within ~~((ninety))~~ thirty days of its occurrence:

- (a) ~~((Formation or))~~ Dissolution of a CPA firm;
- (b) The occurrence of any event that would cause the firm to be in violation of the provisions of the Public Accountancy Act (chapter 18.04 RCW) or these rules;
- (c) An event that requires an amendment to a firm license.

(8) What events require a firm amendment? A CPA firm must provide written notification to the board, by submitting a firm amendment form and the appropriate amendment fee, within sixty days of the following events' occurrence:

(a) Admission or departure of an owner;
((+e+)) (b) Any change in the name of the firm;
((+d+)) (c) Change in the managing licensee of the main office ((or of any branch office)); and
((+e+)) (d) Opening, closing, or relocating of the main office or of any branch office((+and
(f) The occurrence of any event that would cause the firm to be in violation of the provisions of the Public Accountancy Act (chapter 18.04 RCW) or these rules)).

(9) How long do I have to correct noncompliance with licensure requirements due to a change in ownership or an owner's credentials? A CPA firm must notify the board within sixty days of any change in ownership or lapse of an owner's license, certificate, registration or practice privilege that has caused the firm's license to be out of compliance with licensure requirements and must correct the noncompliance within ninety days of the lapse, unless the board grants a longer time period due to individual hardship.

NEW SECTION

WAC 4-25-752 How do I register as a resident nonlicensee owner of a licensed firm and with which rules must a nonlicensee firm owner comply? To qualify as a nonlicensee owner of a licensed CPA firm, you must:

- (1) Be a natural person;
- (2) Meet the good character requirements of RCW 18.04.105 (1)(a);
- (3) Comply with the Act and board rules;
- (4) Be an active individual participant in the licensed firm or affiliated entities as these terms are defined in WAC 4-25-410; and
- (5) If you are a resident of Washington state, you must:
 - (a) File a complete registration with the board; and
 - (b) Demonstrate a passing grade of ninety percent or better on the AICPA professional ethics examination.

To register as a resident nonlicensee firm owner, you must use the form(s) provided by the board. You need to fully complete the form(s) and submit the form(s), all applicable fees, and all required documentation to the board's office.

An initial registration is not complete and cannot be processed until all fees, required documentation, required information, and other documentation deemed necessary by the board are received by the board. When the processing of your registration is complete, your registration will be mailed to the last address you provided to the board.

Your initial registration will expire on June 30 of the third calendar year following initial issuance of the permit.

You must submit your registration concurrent with or prior to submission of the firm license application or firm license amendment, pursuant to WAC 4-25-750. If you are a Washington state resident, you may not hold ownership interest in a CPA firm licensed in Washington state until you receive written notice from the board of your Washington state registration number.

All nonlicensee firm owners are subject to discipline for violation of the Act or board rules.

NEW SECTION

WAC 4-25-756 I am licensed in another state--How do I notify the board of my intent to enter the state in order to obtain practice privileges in the state of Washington? If you hold a valid license to practice public accountancy in another state, you may practice public accountancy in Washington state under a grant of practice privileges if:

- (1) You are an individual;
- (2) Your qualifications are found to be substantially equivalent to a Washington licensee because:
 - (a) Your education, examination, and experience are deemed by the board to be substantially equivalent to Washington's requirements for initial licensure; or
 - (b) Your original license was issued by a state the board has deemed to be substantially equivalent to Washington's requirements;
- (3) Your principal place of business is not in Washington state; and
- (4) You comply with the Act and all board rules applicable to Washington state licensees and subject yourself to discipline for violation of the Act or board rules.
- (5) You notify the board of your intent to enter the state using the form(s) provided by the board.

You need to fully complete the form(s) and submit the form(s), all applicable fees, and all required documentation to the board's office.

Notification is not complete and cannot be processed until all fees, required documentation, required information, and other documentation deemed necessary by the board are received by the board. The board will mail its confirmation of the receipt of your notification to the last address you provided to the board.

Your notification will expire on June 30 of the third calendar year following the date you submit your notification.

Provided no sanctions or investigations by other jurisdictions are in process and you have met the requirements for practice privileges, upon filing your notification with the board, you may use the CPA title in Washington state.

You must notify the board within thirty days if your license or certificate issued by another jurisdiction has lapsed or otherwise becomes invalid.

Unless you are a sole practitioner, you may only offer to provide attest services in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 00-11-076, filed 5/15/00, effective 6/30/00)

WAC 4-25-783 How do I renew a Washington CPA certificate and/or license granted through foreign reciprocity? In January of the year of expiration, a renewal form will be mailed to the last address you provided to the board.

To renew ((a CPA)) your individual license or certificate originally ((issued in reliance on a)) granted through foreign ((professional accounting credential)) reciprocity, you must((÷

((1) Submit an application for renewal, including appropriate fees and documentation, at the time and in the same manner prescribed for all Washington state CPAs; and

((2)) submit to the board by April 30th of the year of expiration:

(1) A completed renewal application form including:

(a) Your certification that you have complied with the CPE requirements of WAC 4-25-830 and the supporting documentation requirements of WAC 4-25-833; and

(b) Documentation from the foreign issuing body certifying:

((+a)) (i) Your foreign credential is in good standing and valid for the practice of public accountancy in the foreign jurisdiction; and

((+b)) (ii) You are not currently under disciplinary investigation or action; or

((+c)) (iii) If you are currently under disciplinary investigation or action, a statement as to the nature of the allegations((-)); and

((+3)) (c) If you no longer hold the foreign credential used to qualify for a Washington state CPA license and/or certificate, you must submit documentation from the foreign issuing body certifying that you were not the subject of any investigations or disciplinary proceedings at the time the foreign credential lapsed.

(2) All applicable fees; and

(3) All required documentation.

A renewal application is not complete and cannot be processed until all fees, required information, required documentation, or other documentation deemed necessary by the board is received by the board. Upon completion of processing, your individual license or confirmation of your certificate renewal will be mailed to the last address you provided to the board.

An individual license or certificate renewal expires on June 30 of the third calendar year following the renewal.

Failure to file a complete application for an individual license or certificate renewal by April 30 of the year of expiration will result in late fees. The board may waive, reduce, or extend the due date of renewal and/or late fees based on individual hardship.

If you fail to file a complete application for individual license or certificate renewal by June 30 of the year of expiration, your individual license or certificate will lapse.

If you are a certificateholder and are renewing your certificate, beginning with the first day of your first renewal period beginning after July 1, 2001, you must print or display the word "Inactive" immediately following the CPA title whenever the CPA title is printed on a business card, letterhead, or other document including documents published or transmitted through electronic media, in exactly the same font and font size as the CPA title.

If your individual license or certificate has lapsed, you may not use the title CPA or CPA-Inactive.

AMENDATORY SECTION (Amending WSR 99-18-120, filed 9/1/99, effective 1/1/00)

WAC 4-25-790 How do I renew my ((CPA)) individual license ((and/or)), certificate, or registration as a resident nonlicensee firm owner? To renew your individual license ((and/or)), certificate, or registration as a resident nonlicensee firm owner, you must use the form(s) provided by the board and satisfy CPE requirements in WAC 4-25-830. In January of the year of expiration, a renewal form will be mailed to the last address you provided to the board. ~~((Renewal of your license constitutes renewal of your certificate.))~~

To renew your individual license ((and/or)), certificate, or registration as a resident nonlicensee firm owner, you must submit to the board by April 30th of the year of expiration:

((•)) (1) A complete renewal ((application)) form including:
(a) Your certification that you have complied with the CPE requirements of WAC 4-25-830 and the supporting documentation requirements of WAC 4-25-833; and

(b) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, or permit to practice;

((•)) (2) All applicable fees; and

((•)) (3) All required documentation, required information, and other documentation deemed necessary by the board.

A licensee may not renew as a certificateholder.

A renewal ~~((application))~~ form is not complete and cannot be processed until all fees, required information, ~~((and))~~ required documentation ((is)), and other documentation deemed necessary by the board are received by the board. Upon completion of processing, confirmation of your individual license ((or confirmation of your renewal)), certificate renewal, or registration as a resident nonlicensee firm owner will be mailed to the last address you provided to the board.

~~((A))~~ An individual license ((and/or)), certificate, or registration as a resident nonlicensee firm owner renewal expires on June 30 of the third calendar year following the renewal.

Failure to file a complete ~~((application))~~ renewal form for an individual license, certificate ((and/or license renewal)), or registration as a resident nonlicensee firm owner by April 30 of the year of expiration will result in late fees. The board may waive, reduce, or extend the due date of renewal and/or late fees based on individual hardship.

If you fail to file a complete (~~(application)~~) renewal form for an individual license, certificate (~~((and/or license renewal))~~), or registration as a resident nonlicensee firm owner by June 30 of the year of expiration your individual license (~~((and/or))~~), certificate, or registration as a resident nonlicensee firm owner will lapse. If your individual license (~~((and/))~~) or certificate has lapsed, you may not use the title CPA (~~((or hold out as a CPA in public practice))~~) or CPA-Inactive, or exercise other privileges that are dependent upon the renewal, including privileges pertaining to ownership of a CPA firm.

AMENDATORY SECTION (Amending WSR 99-18-121, filed 9/1/99, effective 1/1/00)

~~WAC 4-25-791 ((If I hold a certificate under the reasonable cause exemption to the CPE requirements,)) I am a certificateholder. Prior to July 1, 2001, I held a license. How do I apply to return to my previous status as a licensee ((or a certificate holder))?~~ Certificateholders who held a license at any time prior to July 1, 2001, may apply to return to their previous status as a licensee. If you ((hold a certificate under the reasonable cause exemption)) are a certificateholder, you may not ((hold out as a CPA in public)) practice ((or use the title CPA)) public accounting in association with the title "CPA" or "Certified Public Accountant" until ((your license and/or certificate is returned to its previous status)) you return to your previous status as a licensee.

If you hold a valid certificate, to apply to return to your ((previous)) previously held status as a licensee ((or a certificate holder)), you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830. An application is not complete and cannot be processed until all ((fees,)) required information, ((and)) required documentation ((is)), and other documentation deemed necessary by the board are received by the board.

To apply to return to your previous status as a licensee you must submit to the board:

~~((•))~~ (1) A complete application form including your certification, under the penalty of perjury, that you have:

~~((+1))~~ (a) Not held out in public practice ((and/or used the title CPA)) during the time in which you were a ((certificate holder under the reasonable cause exemption)) certificateholder; and

~~((+2))~~ (b) Met the CPE requirements ((to return to your previous status in)) of WAC 4-25-830;

~~((• All applicable fees; and~~

~~•))~~ (2) Other ((documents or information the board may deem necessary)) required documentation, required information, and other documentation deemed necessary by the board.

Upon approval of your application, your license ((or notification of certification)) will be mailed to the last address you provided to the board.

You may not hold out in public practice until you receive notice from the board that your Washington state CPA license has been approved. A licensee may only offer to provide attest

services in a licensed CPA firm meeting the requirements of WAC
4-25-750.

AMENDATORY SECTION (Amending WSR 99-18-122, filed 9/1/99, effective 1/1/00)

WAC 4-25-792 How do I ~~((apply for reinstatement of))~~ reinstate a lapsed ~~((CPA))~~ individual license ~~((and/or))~~, certificate, or registration as a resident nonlicensee firm owner? If your ~~((CPA))~~ individual license ~~((and/))~~ or certificate has lapsed, you may not ~~((hold out as a))~~ use the title CPA ~~((in public practice or use the title CPA))~~ or CPA-Inactive until your individual license ~~((and/))~~ or certificate is reinstated by the board.

Individuals who held a valid license on June 30, 2001, and individuals obtaining a license after June 30, 2001, are not eligible to reinstate as certificateholders.

If your registration as a resident nonlicensee firm owner has lapsed, you may not be an owner of a CPA firm until your registration is reinstated by the board.

To ~~((apply for reinstatement of))~~ reinstate a lapsed individual license ~~((and/or))~~, certificate, or registration as a nonlicensee firm owner you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830. An application is not complete and cannot be processed until all fees, required information, ~~((and))~~ required documentation ~~((is))~~, and other documentation deemed necessary by the board are received by the board.

To ~~((apply for reinstatement))~~ reinstate, you must submit to the board:

~~((•))~~ (1) A complete reinstatement form including your certification, under the penalty of perjury, that you have:

~~((1+))~~ (a) For those who wish to reinstate a license or certificate: Not ~~((held out in public practice and/or))~~ used the title CPA or CPA-Inactive during the time in which your individual license ~~((and/))~~ or certificate was lapsed; or

~~((2+))~~ (b) For those who wish to reinstate a registration as a resident nonlicensee firm owner: Not participated as an owner in a CPA firm during the time in which your registration as a resident nonlicensee firm owner was suspended or revoked; and

(c) Met the CPE requirements for reinstatement in WAC 4-25-830; and

~~((3+))~~ (d) Met the CPE supporting documentation requirements in WAC 4-25-833;

~~((•))~~ (2) Source documents as evidence of eligibility for CPE credit for all courses claimed in order to meet CPE requirements as defined by WAC 4-25-833;

~~((♦))~~ (3) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, or practice privileges;

(4) All applicable fees; and

~~((♦—Other documents or information the board may deem necessary.))~~ (5) Other required documents, required information, and other documentation deemed necessary by the board.

Upon approval of your ~~((application))~~ reinstatement, a notice that your license ~~((reinstatement))~~, registration as a resident nonlicensee owner, or ~~((notification of))~~ certification ((reinstatement)) has been reinstated will be mailed to the last address you provided to the board.

NEW SECTION

WAC 4-25-793 If I am retired, how do I apply to return to my previous status as a licensee or a certificateholder? If you notified the board that you are retired prior to your renewal cycle, pursuant to RCW 18.04.215(7), you may renew your license or certificate at a later date and are not subject to the requirements of reinstatement; however, you may not use the title CPA or CPA-Inactive or exercise the privileges related to those titles until you return to your previous status.

To apply to return to your previously held status as either a licensee or a certificateholder you must use the form(s) provided by the board and satisfy CPE requirements in WAC 4-25-830. An application is not complete and cannot be processed until all fees, required information, required documentation, or other documentation deemed necessary by the board are received by the board.

If you previously held a license, you are not eligible to apply for certificateholder status.

To apply to return to your previous status, you must submit to the board:

(1) A complete application form including your certification, under the penalty of perjury, that you have:

(a) Not used the title CPA or CPA-Inactive during the time in which you were in retiree status; and

(b) Met the CPE requirements to return to your previous status in WAC 4-25-830;

(2) All applicable fees; and

(3) Other required documentation, required information, or other documentation deemed necessary by the board.

Upon approval of your application, your license or notification of your status as a certificateholder will be mailed to the last address you provided to the board.

You may not use the title CPA or CPA-Inactive until your application has been approved.

Attest services may only be performed in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 99-18-123, filed 9/1/99, effective 1/1/00)

WAC 4-25-795 How do I ~~((apply for reinstatement of))~~ reinstate a revoked or suspended ((CPA)) license ((and/or)), certificate, or registration as a resident nonlicensee firm owner? If your ((CPA)) license ((and/)) or certificate was revoked or suspended by the board pursuant to ~~((RCW 18.04.295, 18.04.305 and/or 18.04.335))~~ the Act, you may not ~~((hold out as a CPA in public practice or))~~ use the title CPA or CPA-Inactive until your license ((and/)) or certificate is reinstated by the board.

If your registration as a resident nonlicensee firm owner was revoked or suspended by the board pursuant to the Act, you may not be a firm owner until your registration is reinstated by the board.

You may ~~((apply to the board for modification of))~~ request that the board modify the suspension or revocation after ~~((one))~~ three years ~~((has))~~ have elapsed from the effective date of the board's order revoking or suspending your license ((and/)) or certificate unless the board sets some other period by order. However, if you made a previous ~~((application))~~ request with respect to the same order, no additional ~~((application))~~ request will be considered before the lapse of an additional three years following the board's decision on the last such previous application.

To ~~((apply for))~~ request reinstatement of a revoked or suspended license ~~((and/or)), certificate, or registration as a resident nonlicensee firm owner~~ you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830. ~~((An application))~~ A request is not complete and cannot be processed until all fees, required information, ~~((and))~~ required documentation ~~((is)),~~ and other documentation deemed necessary by the board are received by the board.

To ~~((apply for))~~ request reinstatement, you must submit to the board:

~~((•))~~ (1) A complete reinstatement form including your certification under the penalty of perjury, that you have:

~~((+1))~~ (a) For those who wish to reinstate a license or certificate: Not ~~((held out in public practice and/or))~~ used the title CPA during the time in which your license ((and/)) or certificate was suspended or revoked; or

~~((+2))~~ (b) For those who wish to reinstate a registration as a resident nonlicensee firm owner: Not participated as an owner in a CPA firm during the time in which your registration

as a resident nonlicensee firm owner was suspended or revoked;
and

(c) Met the CPE requirements for reinstatement in WAC 4-25-830; and

~~((+3))~~ (d) Met the CPE supporting documentation requirements in WAC 4-25-833;

~~((+))~~ (2) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, permit, or practice privilege under substantial equivalence;

(3) All applicable fees;

~~((+))~~ (4) Source documents as evidence of eligibility for CPE credit for all courses claimed in order to meet CPE requirements as defined by WAC 4-25-833;

~~((+))~~ (5) Written substantiation of the reasons constituting good cause for the reinstatement;

~~((+))~~ (6) Two supporting recommendations, under penalty of perjury, from ~~((CPA))~~ licensees who have personal knowledge of your activities since the suspension or revocation was imposed; and

~~((+))~~ (7) Other ~~((documents or information which the board may deem necessary))~~ required documentation, required information, and other documentation deemed necessary by the board.

In considering the reinstatement application, the board may consider all relevant factors, including but not limited to:

~~((+))~~ (a) The offense for which you were disciplined;

~~((+))~~ (b) Your activities since the disciplinary penalty was imposed;

~~((+))~~ (c) Your activities during the time the license, certificate ~~((or permit))~~, or registration as a resident nonlicensee firm owner was in good standing;

~~((+))~~ (d) Your rehabilitative efforts;

~~((+))~~ (e) Restitution to damaged parties in the matter for which the penalty was imposed; and

~~((+))~~ (f) Your general reputation for truth and professional probity.

If the board decides to consider the merits of your application for reinstatement, in the board's discretion, a hearing may be held following such procedures as the board deems suitable for the particular case. If the board decides that it will not consider the merits of your application for reinstatement, then this constitutes final agency action and there is no further administrative review available to you. As a condition of reinstatement, the board may impose such terms and conditions as it deems suitable.

The board will not consider ~~((an application))~~ a request for reinstatement while you are under sentence for any criminal offense, including any period during which you are on court-imposed probation or parole.

AMENDATORY SECTION (Amending WSR 94-02-071, filed 1/4/94, effective 2/4/94)

WAC 4-25-820 What are the requirements for participating in quality assurance review (QAR) ~~((program-))~~? (1) **Purpose.** The Washington state board of accountancy is charged with protection of the public interest as it relates to the licensure of certified public accountants (CPAs). The purpose of the QAR program ~~((hereinafter referred to as program))~~ is to monitor licensees' compliance with ~~((professional))~~ attest standards.

(2) **Structure and implementation.**

(a) The board will annually appoint a quality review committee ~~((hereinafter referred to as committee))~~ to perform the following functions:

(i) Review of financial statements and the reports of licensees thereon to assess their compliance with applicable professional standards;

(ii) Improvement of reporting practices of licensees through education and rehabilitative measures;

(iii) Referral of cases requiring further investigation to the board or its designee~~((s))~~; and

(iv) Such other functions as the board may assign to the committee.

(b) Once every three years the board may request from each ~~((CPA))~~ licensed firm ~~((licensed by the board))~~, and such firm shall submit, for each of its offices, a compilation report, a review report, and an audit report. A firm shall select these reports from all reports prepared during the twelve months preceding the date of board request or, if no reports have been issued within the last twelve months, from all reports during the preceding three years.

~~((+))~~If reports issued by all offices of a firm are reviewed and issued in a controlled, centralized process, only one of each of the reports specified above need be submitted by the firm as a whole.~~((+))~~

(c) The board may exempt from the requirement of (b) of this subsection any firm which has participated in a board-approved peer ~~((or quality))~~ review program within the three years immediately preceding the date of board request. Firms requesting exemption must submit a copy of an unmodified report, letter of comments, response to letter of comments, if applicable, and letter of acceptance from ~~((a))~~ the reviewing organization ~~((acceptable to the board))~~. Firms that receive modified peer ~~((or quality))~~ review reports may request exemption, but must submit copies of such reports and related

correspondence, at the discretion of the board, for consideration on an individual basis.

(d) Any documents submitted in accordance with (b) of this subsection may have the name of the client, the client's address, and other identifying factors omitted, provided that the omission does not render the type or nature of the enterprise undeterminable. Dates may not be omitted.

(e) The ((~~quality review~~)) committee may ((~~also~~)) solicit and review financial statements and related reports of licensees from clients, public agencies, banks, and other users of financial statements.

(f) In gathering information about the ((~~professional~~)) attest work of licensees, the committee may make use of investigators, either paid or unpaid, who are not themselves members of the committee.

(g) The identities of the sources of financial statements and reports received by the board or the committee from other than the licensees who issued the reports shall be preserved in confidence. Reports submitted to the committee pursuant to (b) of this subsection and comments of reviewers, the committee and the board on such reports or workpapers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the board to the licensees who issued the reports or disclosure is required under administrative procedure rules or by direction of a court of law.

(h) The committee's review of financial statements and reports of the licensees thereon shall be directed toward the following:

(i) Presentation of financial statements in conformity with generally accepted accounting principles;

(ii) Compliance by licensees with generally accepted auditing standards;

(iii) Compliance by licensees with other professional standards; and

(iv) Compliance by licensees with the rules of the board and other regulations relating to the practice of public accounting.

(i) If the board determines that a report referred to the board by the committee is substandard or seriously questionable with respect to applicable professional standards, the board may take one or more of the following actions:

(i) Send the licensee firm a letter of comment detailing the perceived deficiencies and require the licensee to develop quality control procedures to ((~~insure~~)) ensure that similar occurrences will not occur in the future;

(ii) Require any individual licensee who had responsibility for issuance of a report, or who substantially participated in preparation of the report and/or related workpapers, to successfully complete specific courses or types of continuing education as specified by the board;

(iii) Require that the office responsible for a substandard report submit all or specified categories of its reports to a preissuance review in a manner and for a duration prescribed by the board;

(iv) Require the office or the licensee firm responsible for a substandard report to submit to a peer review conducted in accordance with standards acceptable to the board. The cost of the peer review will be at the firm's expense;

(v) Require the licensee firm responsible for substandard work to submit to on-site review or other investigative procedures of work product and practices by board representatives in order to assess the degree or pervasiveness of substandard work. The board may assess the costs of such procedures to the firm if the results of such investigative efforts substantiate the existence of substandard work product;

(vi) Initiate an investigation pursuant to RCW 18.04.295, 18.04.305, and/or 18.04.320 if it appears that the professional conduct reflected in a substandard report is so serious as to warrant consideration of possible disciplinary action.

AMENDATORY SECTION (Amending WSR 00-11-077, filed 5/15/00, effective 6/30/00)

WAC 4-25-830 What are the CPE requirements? (1) ~~((For CPE reporting periods beginning January 1, 2000, or later,))~~ The following CPE is required during the three calendar year period prior to renewal:

Category	Maximum CPE Allowed in Nontechnical Subject Areas	Minimum CPE in Ethics Applicable to Practice in WA State	Total CPE
(a) A licensee.	24	4	120
(b) A certificateholder whose activities during the 3-year calendar period prior to renewal do not require a license to practice public accounting.	Exempt	4	120

~~(2) Subject area requirements:~~

~~(a) Licensees are limited to a maximum of 24 CPE credit hours in nontechnical subject areas during the CPE reporting period.~~

~~(b) If you are a certificateholder, you are exempt from the limitation of CPE credit hours in nontechnical subject areas.)~~

(a) A licensee must complete 120 CPE credit hours which is limited to 24 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics applicable to the practice of public accounting in Washington state;

(b) A certificateholder or a resident nonlicensee firm owner must complete 4 CPE credit hours in ethics applicable to the practice of public accounting in Washington state; and

(c) Individuals holding practice privileges are exempt from CPE.

(2) CPE requirements for renewal of a license that was issued less than three years before the end of a certificate renewal cycle: When you convert your status from a certificateholder to a licensee, your CPE reporting period (the three calendar year period prior to renewal) and renewal cycle will remain the same. The CPE requirements for renewal are as follows:

(a) If your license was issued during the first calendar year of your CPE reporting period, you must have completed 80 CPE credit hours which is limited to 16 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics applicable to the practice of public accounting in Washington state.

(b) If your license was issued during the second calendar year of your CPE reporting period, you must have completed 40 CPE credit hours which is limited to 8 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics applicable to the practice of public accounting in Washington state.

(c) If your license was issued during the third calendar year of your CPE reporting period, you must have completed 4 CPE credit hours in ethics applicable to the practice of public accounting in Washington state.

(3) Ethics applicable to practice in ((WA)) Washington state: During each CPE reporting period all licensees ~~((and)),~~ certificateholders, and resident nonlicensee firm owners are required to complete a four-hour course on professional ethics with specific application to the practice of public accounting in Washington state.

(4) 20 hours a year minimum: ~~((For CPE reporting periods beginning after December 31, 1999, you))~~ Licensees must complete a minimum of 20 hours of CPE each calendar year. This requirement is waived for the first calendar year of a ~~((certificateholder's))~~ licensee's initial CPE reporting cycle.

~~(5) ((Reasonable cause exemption: Retirees and certificateholders who will not make any public, professional, commercial, or occupational use of the title CPA during the upcoming three-year period are deemed to have met the reasonable cause exemption and may therefore renew their certificate under the reasonable cause exemption and be exempt from the CPE requirements. However, individuals holding a certificate under the reasonable cause exemption may not hold out in public practice nor may they make any professional, occupational, commercial or public use of the CPA title.))~~ **CPE requirements for renewal following retirement:**

(a) In order to renew as a licensee you must meet the CPE requirements of subsection (1)(a) of this section.

(b) In order to renew as a certificateholder you must meet the CPE requirements of subsection (1)(b) of this section.

~~(6) ((Return to previous status:))~~ **CPE requirements for a certificateholder to either qualify to apply for a license or return to their previously held status as a licensee:** If you ~~((seek))~~ hold a valid certificate and you wish to apply for a license or you want to ~~((change))~~ return to your previously held status as a ~~((certificateholder exempted from the CPE requirements under the reasonable cause exemption to a~~

~~(a))~~ licensee, you must ~~((satisfy the requirements of subsection (1)(a) of this section within the three-year period immediately preceding the date the application for change in status was received by the board; or~~

~~(b) Certificateholder, you must satisfy the requirements of subsection (1)(b) of this section within the three-year period~~

~~immediately preceding the date the application for change in status was received by the board))~~ meet the following CPE requirements:

(a) If your certificate was issued less than a year prior to the date you apply for a license, there is no CPE requirement for licensure.

(b) If your certificate was issued more than a year but less than two years from the date you apply for a license, you must have completed 40 CPE credit hours within the twelve months immediately preceding the date you file your application. If more than four years has lapsed since you passed the CPA examination, you are limited to 8 CPE credit hours in nontechnical subject areas.

(c) If your certificate was issued more than two years but less than three years from the date you filed your renewal, you must have completed 80 CPE credit hours within the twenty-four months immediately preceding the date you file your application. If more than four years has lapsed since you passed the CPA examination, you are limited to 16 CPE credit hours in nontechnical subject areas.

(d) If your certificate was issued more than three years from the date you apply for a license, you must have completed 120 CPE credit hours within the thirty-six months immediately preceding the date you file your application. If more than four years has lapsed since you passed the CPA examination, you are limited to 24 CPE credit hours in nontechnical subject areas.

(7) Reinstatement of a lapsed, suspended, or revoked license ((and/or)), certificate, or registration as resident nonlicensee firm owner:

(a) If you seek to reinstate a lapsed, suspended, or revoked license ((and certificate)), you must satisfy the requirements of subsection (1)(a) of this section within the three-year period immediately preceding the date the application for reinstatement was received by the board.

(b) If you seek to reinstate a lapsed, suspended, or revoked certificate, or registration as a resident nonlicensee firm owner, you must satisfy the requirements of subsection (1)(b) of this section within the ((three-year)) six-month period immediately preceding the date the application for reinstatement was received by the board.

(8) Reciprocity: If you are applying for an initial Washington state CPA license ((and/or certificate)) under the reciprocity provisions of ((RCW 18.04.180 or 18.04.183)) the Act, you must satisfy the ((applicable)) requirements in subsection (1)(a) of this section within the three-year period immediately preceding the date the application was received by the board. For purposes of ((an)) initial ((license and/or certificate)) licensure, you do not need to satisfy the ethics requirements of subsection ((+3)) (1)(a) of this section.

Thereafter, in order to renew your Washington state ((CPA)) license ((and/or certificate)), you must comply with all the ((applicable)) renewal requirements in subsection (1) ((of this section, including the ethics requirements in subsection (3) of this section)) (a).

(9) **CPE waiver request:** In order to renew your license ((and/or)), certificate, or registration as a nonlicensee firm owner you must complete the required CPE by the end of the CPE reporting period preceding your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause. The board may ((make)) provide limited ((exceptions)) extensions to the CPE requirements for reasons of individual hardship including health, military service, foreign residence, or other reasonable cause. You must request such an ((exception)) extension in writing on the form(s) provided by the board. The request must include justification for the request and your plan to correct your CPE deficiency.

AMENDATORY SECTION (Amending WSR 00-11-078, filed 5/15/00, effective 6/30/00)

WAC 4-25-910 What are the bases for the board to impose discipline? RCW 18.04.055, 18.04.295, and 18.04.305 authorize(~~(s)~~) the board to revoke, suspend, refuse to renew (~~(a)~~) or reinstate an individual or firm license ((and/or)), certificate, practice privilege, or registration as a resident nonlicensee firm owner; impose a fine not to exceed ((one)) ten thousand dollars((, —and)); recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a nonlicensee from holding an ownership interest in a licensed firm for the specific acts listed below.

The following are specific examples of prohibited acts that constitute grounds for discipline under RCW 18.04.295 and 18.04.305. The board does not intend this listing to be all inclusive.

(1) Fraud or deceit in obtaining a (~~(CPA)~~) license (~~((and/or certificate))~~) or in any filings with the board.

(2) Making a false or misleading statement in support of another's application for a license and/or certificate.

(3) Dishonesty, fraud, or negligence while representing oneself as a CPA, CPA firm, or a nonlicensee firm owner including but not limited to:

(a) Practicing public (~~((accountancy))~~) accounting in Washington state prior to obtaining a license;

(b) Making misleading, deceptive, or untrue representations;

(c) Engaging in acts of fiscal dishonesty;

(d) Purposefully, knowingly, or negligently failing to file a report or record, or filing a false report or record, required by local, state, or federal law;

(e) Unlawfully selling unregistered securities;

(f) Unlawfully acting as an unregistered securities salesperson or broker-dealer;

(g) Discharging a trustee's duties in a negligent manner or breaching one's fiduciary duties; or

(h) Withdrawing or liquidating, as fees earned, funds received by a CPA, CPA firm, or a nonlicensee firm owner from a client as a deposit or retainer when the client contests the amount of fees earned, until such time as the dispute is resolved.

(4) The following shall be prima facie evidence that a CPA, CPA firm, or a nonlicensee firm owner has engaged in dishonesty, fraud, or negligence while representing ~~((himself or herself))~~ oneself as a CPA, CPA firm, or a nonlicensee firm owner:

(a) An order of a court of competent jurisdiction finding the CPA, CPA firm, or the nonlicensee firm owner to have committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's, CPA firm's, or nonlicensee firm owner's fitness to represent himself or herself as a CPA, CPA firm, or a nonlicensee firm owner;

(b) An order of a federal, state, local or foreign jurisdiction regulatory body finding the CPA, CPA firm, or nonlicensee firm owner to have committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's, the nonlicensee firm owner's, or CPA firm's fitness to represent ~~((himself or herself))~~ itself as a CPA, a nonlicensee firm owner, or a CPA firm;

(c) Cancellation, revocation, suspension, or refusal to renew the right to practice as a CPA or a nonlicensee firm owner by any other state for any cause other than failure to pay a fee or to meet the requirements of continuing education in the other state; or

(d) Suspension or revocation of the right to practice before any state or federal agency.

(5) ~~((Conviction of a crime or an act constituting a crime under: Federal law; the laws of Washington state; or the laws of another state, and which, if committed within this state, would have constituted a crime under the laws of this state.))~~ Any state or federal criminal conviction or commission of any act constituting a crime under the laws of this state, or of another state, or of the United States.

(6) A conflict of interest such as:

(a) Self dealing as a trustee, including, but not limited to:

(i) Investing trust funds in entities controlled by or related to the trustee;

(ii) Borrowing from trust funds, with or without disclosure; and

(iii) Employing persons related to the trustee or entities in which the trust has a beneficial interest to provide services to the trust (unless specifically authorized by the trust creation document).

(b) Borrowing funds from a client unless the client is in the business of making loans of the type obtained by the ~~((certificateholder))~~ CPA, CPA firm, or nonlicensee firm owner and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness.

(7) A violation of the Public Accountancy Act or failure to comply with a board rule contained in chapter 4-25 WAC.

(8) Violation of one or more of the rules of professional conduct included in chapter 4-25 WAC or concealing another's violation of the Public Accountancy Act or board rules.

(9) Failure to cooperate with the board by failing to:

(a) Furnish any papers or documents requested or ordered to produce by the board;

(b) Furnish in writing a full and complete explanation related to a complaint as requested by the board;

(c) Respond to an inquiry of the board;

(d) Respond to subpoenas issued by the board, whether or not the recipient of the subpoena is the accused in the proceeding.

(10) Failure to comply with an order of the board.

(11) A CPA's or nonlicensee firm owner's adjudication as mentally incompetent is prima facie evidence that the CPA or nonlicensee firm owner lacks the professional competence required by the rules of professional conduct.